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May 25, 1970

International Commerce

Suharto visit puts focus on Indonesia

First 'E Star' awards given

DISC proposal is described

A U.S. DEPARTMENT OF COMMERCE WEEKLY

XUM

International Trade Winds Newsletter

Company News

ANTI-POLLUTION CONTROLS—The Carborundum Co., Niagara Falls, N.Y. and AB Svenska Flaktfabriken (SF), Stockholm, a major supplier of air pollution controls, have announced an agreement to exchange international licenses for the manufacture and sale of their air pollution control systems. Carborundum has the exclusive rights, with one exception, to make and sell the Swedish concern's equipment used on pollution abatement in the U.S., and the Stockholm company has the exclusive rights to manufacture and market the New York firm's dust collectors and filter media in Scandinavia and other rights in Europe and Australasia.

PHARMACEUTICALS— Pfizer, headquartered in New York, has opened a new pharmaceutical and veterinary production plant in San Jose, Costa Rica. The new facilities will serve markets in the Central American Common Market and is the newest of Pfizer's 58 plants in 31 nations. The plant was designed and constructed by Costa Rican engineers and contractors.

PUBLISHING—D. C. Heath & Co., a subsidiary of Raytheon Co., Lexington, Mass., and Gregg International Publishers, Ltd., of Farnborough, England, have announced an agreement to merge. Gregg specializes in publication and reproduction of rare books and other works considered significant to scholars; Heath is a major U.S. publisher of elementary, high school and college texts.

PULP AND PAPER—A major Southeast Asia pulp and paper production complex, built on a turnkey basis through Parsons & Whittemore, Inc., affiliates and financed by U.S. and Thailand Government and private sources, has begun operation, producing 190 tons per day of kraft paper and 66 tons of bagasse pulp. The new mill, called the Siam Kraft Paper Co. located in Ban Pong, Thailand, a city west of Bangkok, reportedly increased the Thai paper production four times. Due to the shortage of conventional pulpwood in Thailand, the plant was designed to utilize as a raw material the sugar cane stalks which were formerly discarded. Parsons & Whittemore of New York has established experience in raising paper production of forest-poor nations. The total Thai project is valued at $30 million.

Symbols, definitions, test methods, performance, dimensional requirements. All of these are part of the term "international product standards." Meetings are now in progress in Washington helping to shape such standards in the electrotechnical field, which includes consumer goods, electronics, telecommunications, power generators, power transmission, power distribution, and industrial equipment. Delegates from 41 countries are at the conference, sponsored by the International Electrotechnical Commission.

An export specialty unknown just a few years ago is the subject of another worldwide meeting just announced. The Third International Symposium on the Packaging and Transportation of Radioactive Materials will be held at the Atomic Energy installation at Richland, Wash., in August 1971. Developments in cask and container design and handling will be shared by representatives from the U.S., Canada, Europe, Japan, Australia, India and South America.

Higher levels of output in the developing countries create increased purchasing power which creates greater demand for U.S. products. And here's the same equation, in numerical terms, from a recent Agency for International Development study: 12 nations with a per capita GNP average of under $200 bought $3 worth of U.S. products per capita; 9 nations with per capita GNP in the $400-$900 range bought $29 worth per person --about 10 times as much as the poorest group.

Sales of U.S. goods shot up sharply during a recent America Weeks promotion at Central Department Store, the largest retail organization in Bangkok, Thailand. Total purchases of items from the U.S., in fact, nearly tripled over the comparable period in 1969. More than 100 of the suppliers of goods linked to the promotion were selling to Central for the first time.

Now in session at the U.S. Trade Center in Bangkok is the 20th Salesmanship Course for Thai salesmen handling American products. Trade Center officials had planned to wind up the sessions after graduating 432 men, but local appeals led to a continuation. An innovation in the latest course is a series of five lectures on U.S. advertising techniques, taught by specialists from the major ad agencies in Bangkok. Students' tuition fees, not Trade Center funds, cover the expense of conducting the courses.

NOTICE: This information is offered to preview or provide informally brief and varied comment on Bureau of International Commerce worldwide export and investment promotions. It is not final and does not substitute for the detailed know-how and analysis in our regular news columns.

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in this issue

Reports from overseas U.S. Commercial Officers are timed with the arrival of a national leader in this week's special group of stories on Indonesia, beginning on page 24. Two articles originating in Washington are also featured in this issue. One, on page 2, tells of a new Commerce Department award to outstanding exporters. Another, on page 18, describes a proposed Treasury Department incentive plan for exporters, as explained by an official of that department.

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'E' Stars fly over 12 firms

Commerce Secretary Stans presents new symbol of continued achievement in exporting

A new symbol—the "E" Star—is flying over 12 American manufacturers and business organizations recognized for their continuing achievements in the field of exporting.

The President's "E" Star award, given for the first time by Commerce Secretary Maurice H. Stans at the plenary meeting of the National Export Expansion Council May 14, was created to acknowledge additional exporting success of past recipients of the President's "E" award for excellence in exporting.

The first recipients of the "E" Star include manufacturers, banks and a national association and are from 11 states and the District of Columbia; the awards were presented in the order in which the "E" citations were received.

Pan American World Airways of New York started its Worldwide Marketing Service in January 1961, as a contribution to the U.S. export expansion program. In recognition of these activities, Pan Am received the Presidential "E" Award in May 1962.

Pan Am's sales offices in 32 U.S. cities and its foreign-based offices in more than 80 countries help U.S. businessmen locate overseas companies interested in buying their products or in representing them abroad. This information comes from direct surveys and listings in Pan Am's "Worldwide Marketing Horizons" magazine which is printed in seven languages and distributed monthly to more than 20,000 firms thoughout the world.

More than 30,000 U.S. companies have utilized the Worldwide Marketing Service.

The Service has cooperated with U.S. Department of Commerce export promotion activities, including the first Pan Am Multiple Trade Mission in 1968 and various Mobile Trade Missions and international trade exhibitions.

Other related activities have been originated by Pan Am's Worldwide Marketing Service as a public service and in cooperation with the U.S. Department of Commerce. Highlights of various Pan Am export promotion activities include consumer ads in national newspapers emphasizing export opportunities and booklets and brochures.

The Boeing Co., Seattle, Wash., manufacturer of commercial aircraft, received the President's "E" Award in July 1962 for its record of promoting the sale of U.S. products in foreign markets.

Since receiving the award, Boeing has continued to expand. Overseas sales of jet transports alone increased 385% in 1968 over 1962. Boeing now has 60 foreign airline customers; in 1962 it had 15.

Boeing has sold its jet transports in the highly competitive Middle East market, a breakthrough attributed in large measure to financing terms introduced by the Export Expansion Facility of the Export-Import Bank.

In opening new markets, the Vertol division of Boeing has surveyed the African continent. As a result, immediate sales prospects have been developed for small helicopters manufactured by a West German affiliate of Boeing, and there are prospects of future orders for U.S. origin equipment. In Asia and the Far East, Boeing jet equipment flies routes for the carriers of India, Pakistan, South Korea, Taiwan, South Viet-Nam, Malaysia, Singapore, Burma, and Afghanistan, not to mention all three major Japanese airlines, none of which used Boeing jets in 1962.

Boeing has been active in introducing new products in the aircraft export market. A recent example is the completion in 1969 of the first 747 super jets, the world's largest commercial jet transports. Fifteen foreign carriers already have ordered the 747s.

The DoAll Co., Des Plaines, Ill., received the "E" award in July 1962. Since then, DoAll established a wholly-owned manufacturing plant in Sweden in 1967 for the production of metal cutting band saw blades and some inexpensive metal cutting bank sewing machines. Components for these machines are shipped from the U.S. for assembling overseas.

The company also established its own sales stores in Holland in 1964 and the United Kingdom in 1967. A successful technique used by DoAll is making on-the-spot demonstrations in customers' plants throughout Europe.

In June and July of 1966 and again in July 1968, the company participated in the U.S. Department of Commerce exhibition at the International Trade Fair in Tel-Aviv. In October 1966, it participated in the International Trade Fair in Taiwan. Sales increased dramatically in both areas.

With the advent of Foreign Credit Insurance Association, a great amount of business has been generated with overseas distributors. DoAll negotiated with FCIA for the establishment of revolving credit with several overseas distributors. This has been used successfully on numerous occasions where customers required financial assistance covering some sophisticated equipment. Spain, Mexico, Germany and Finland have exercised their option in using the FCIA as a means of financing.

Trans World Airlines, Kansas City,

TYPICAL OF THE NEW 'E' STAR CERTIFICATES presented at the Commerce Department ceremony was this one held by Ch. Baumhefner of the Bank of America, San Francisco, Cal., shown here with Secretary Stans.

Missouri, for more than two decades has sought to assist U.S. businessmen in entering or expanding their overseas markets through the services of MarketAir, its Cargo Sales and Services Division. In recognition of these efforts, TWA received the President's "E" Award in October 1962.

In 1965, MarketAir launched a worldwide trade development campaign to assist the U.S. Government's export expansion program. It provides U.S. exporters with marketing information and economic data with which to analyze overseas market potential, and offers recommendations on how to obtain a fair share of overseas markets by selling and shipping to them.

In cooperation with the U.S. Department of Commerce, TWA organized a trade mission to the Far East in September 1969. In 1970, MarketAir plans to sponsor several trade missions to Europe in conjunction with the introduction of the new Boeing 747 jets.

MarketAir has operated export service centers at 14 Commerce Department exhibitions at international trade fairs. In April 1968, TWA initiated a series of export seminars across the United States. It has assisted exporters in documentation procedures and has worked with the Bureau of Customs in developing speedier customs clearances.

The Bank of America, San Francisco, engaged in general and international banking services, received the President's "E" Award in January 1963. Since then, the Bank has increased its international staff, both at home and abroad. Its foreign branches, representative offices, affiliates and participations now are located in more than 70 countries of the free world. The Bank of America, International, New York, a subsidiary, has grown steadily since it was established in 1950.

Pre-export and post-export financing is being provided by the Bank's 949 branches throughout the United States. The Bank handles annually hundreds of millions of dollars for its export clients.

The Bank has actively participated in the promotion of export trade by voluntarily disseminating information through the advertising media to its branches throughout the U.S. and overseas. Members of its International Banking Division have sought to stimulate increased interest in exports through speaking engagements, conducting seminars, serving on panels and by contacting exporters and/or potential exporters to avail themselves of the Bank's National and International Trade Services which find overseas sales outlets.

Officers of the Bank of America serve as members of the Regional Export Expansion Council. The Bank also is represented on the National Export Expansion Council and its Executive Board.

Working together

This story of Government recognition of industry export performance, and the two stories that follow, indicate the kind of Government-industry cooperation that is seen as necessary at this time to solve the nation's pressing balance-of-payments problem. A second story deals with the annual meeting of the National Export Expansion Council, and a third reports the Government-industry conference on international business problems and prospects that was conducted this month by the Commerce Department.

The Arkansas Grain Corp., Stuttgart, Ark., a farm cooperative, received the President's "E" Award in April 1963. The cooperative's major export product is soybean meal, plus a substantial volume of raw soybeans and soybean oil.

The firm is making a significant contribution to the "Food for Peace" program. Its modern canning plant, installed at the Port of New Orleans in 1966, supplies nearly two-thirds of the oil purchased by the Commodity Credit Corp. for distribution overseas through charitable agencies.

Arkansas Grain usually offers soybean meal for current and future delivery by months, as far ahead as twelve months for delivery to Rotterdam, Bremen, Germany, and Bordeaux and Rouen, France. These offers are generally made every day through the firm's broker in Rotterdam. A telex message is sent at the close of the market each day listing quantities, types of meal, prices, and ports to which goods will be shipped. In other markets, offers are made as interest develops. All booking of ocean freight space is handled by the concern's Traffic Department in Stuttgart. Entire vessels may be chartered—some to carry as much as 30,000 long tons.

During the 1967-68 season, when receipts of soybeans at affiliated grain dry-soybeans were offered in the market daily. capacity, the cooperative started to export raw soybeans. Following the same pattern as for soybean meal, specific quantities of soybeans were offered in the market daily in competition with long-established U.S. exporters.

The National Machine Tool Builders' Association, Washington, D.C., a national trade association serving the machine tool industry, received the President's "E" Award in May 1963.

In the past three years, the Association has emphasized closer liaison with government offices involved in export of U.S. equipment; more extensive publication of export information; and better communications with foreign machine tool users.

In 1967, the Association created an export committee that has served as a liaison with the U.S. Department of Commerce, the Export-Import Bank, and the Agency for International Development. The Association has helped to make members of the industry more aware of government-sponsored trade shows and exhibits overseas. The Association distributes a "Directory of Machine Tools" throughout the world and arranges for foreign industrialists to visit U.S. plants in order to stimulate U.S. machine tool sales.

Between 1966 and 1969, the U.S. machine tool industry has made significant gains in export sales to Australia, Brazil, Chile, Israel, Japan and Taiwan.

Blue Bell, Inc., Greensboro, N.C., an apparel manufacturer, received the President's "E" Award in April 1965. The company, with manufacturing operations in Belgium and Malta, will soon build another plant in Malta, as well as new plants in Scotland and Portugal. It now has sales companies in England, Germany, France, Holland and Sweden and plans to establish one in Italy. Each of these companies, owned wholly by Blue Bell, has its own sales force promoting American-made products as well as products manufactured in their European facilities from American piece goods.

Blue Bell has licensing arrangements for the manufacture of its products in Europe and in Colombia, Honduras, New Zealand and Australia. Its trademarks are registered in 119 foreign countries.

The company continues to promote the American Western image under the Wrangler Brand in Europe and every garment, whether manufactured in the U.S. or Europe, carries either the label "Made in U.S.A." or a label indicating that the piece goods from which the European manufactured garments are made originated in the U.S. Blue Bell has hired an advertising company to run a separate advertising campaign for all of Europe to help sell more American made products.

The North Carolina manufacturer is a veteran participant in U.S. commercial exhibitions mounted overseas by the U.S. Department of Commerce. Blue Bell is one of five sponsors of an American Rodeo that will tour Europe in 1970 to build good will and U.S. product volume.

Prentice-Hall International, Inc., a subsidiary of Prentice-Hall Inc., Englewood

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Cliffs, N.J., publisher of educational books, received the President's "E" Award in March 1966. Despite several adverse factors, the company increased its overseas sales between 1965 and 1969 by 61.5%, compared to a 58.7% increase in total sales.

During 1968, military crises made it difficult to export to El Salvador, Honduras, Egypt and most of Southeast Asia. Student riots during the same period caused universities to close down in Mexico, Brazil, Japan and India. Other problems were caused by U.S. inflation, devaluation of local currencies and import quotas.

Nevertheless, during the 1965-69 period, Prentice-Hall established depositories and shipping centers in Colombia, South Africa, New Zealand, Singapore, Cairo and Japan, and has increased its sales staff by more than 30%, enabling it to cover in greater depth universities and bookstores in most major countries. Prentice-Hall has a policy of bringing members of its foreign sales staff to the U.S.

The contents of Prentice-Hall's U.S. publications are continually being internationalized in order to enhance their acceptance overseas. Numerous overseas trips are made by the sales manager, the general manager and other company officials in order to train, more closely supervise, and stimulate the sales staff. Translation rights to titles are sold on relatively low terms to most countries of the world to encourage book use by professors and book reading by young people.

As a result of these efforts, Prentice-Hall now exports more than 10% of all books exported by U.S. publishers.

Texas Instruments, Inc. of Dallas, a manufacturer of electronic components and devices and electromechanical equipment, received the President's "E" Award for excellence in March 1966. The company's percentage of exports to total sales climbed from 4.3% in 1962 to 9% in 1969.

Texas Instruments has established factories in highly competitive production areas of other countries and has used U.S. mass production technology. It has built semi-conductor components factories in many countries that pose import quota problems. To handle overseas deliveries, it has established foreign warehousing systems in major marketing areas and has appointed distributors providing off-the-shelf delivery in all major areas.

In overcoming the problems of tariff barriers, Texas Instruments, particularly in the case of semiconductor devices, where the import duty rate into the European Economic Community is 17% and into the United Kingdom is approximately 20%, decided to establish manufacturing facilities in the U.K., in West Germany, France, and also in the Netherland Antilles which enjoys EEC preferential tariff treatment. In the area of international production and import quotas, where Texas Instruments established manufacturing facilities overseas, this has led to consistent increases in its level of exports.

The company meets foreign competition in air traffic control systems and has made progress in dealing with such problems as high freight costs, export packing costs, import certificate delays, U.S. export license delays, U.S. Customs clearance and credit arrangements.

Oshkosh Truck Corp., Oshkosh, Wis., maker of heavy duty trucks, received the President's "E" Award in June 1966. Since then its share of exports to total sales has climbed from 12.3 to 16.5%.

In order to compete effectively in overseas markets, the corporation has developed new strategies. In South Africa, it formed a joint venture in which it is a minority partner; as a result, it has a substantial increase in sales.

In Australia, the corporation arranged for two main assembly areas, using U.S.-supplied truck kits. That procedure enabled the corporation to export to Australia under the lowest import duty classification. In addition, Oshkosh has stationed an area sales manager in Australia.

In preparation for the introduction of a new line of vehicles in 1970, Oshkosh has undertaken several market studies covering Europe, South Africa and Australia.

Buckman Laboratories, Inc., Memphis, a manufacturing chemist which received the President's "E" Award in October 1966, has continued to execute a long-range plan to increase sales to industrial countries and has expanded its operations in less developed countries and those with an agricultural economy.

The company has worked with agriculturalists in many nations to formulate new chemicals, building the potential for additional farm chemical exports.

Buckman maintains subsidiaries in Canada, Belgium and Mexico and sells its products through distributors in many other countries. Area managers and representatives, who are nationals of at least one of the countries in which they work, help distributors market products.

Under Buckman's export plan, it is the responsibility of the manufacturer to create new products; protect them with patents as much as possible so that the manufacturer and the distributor are not subjected to the competitive pressure that comes from the sale of identical products; build efficient plants for the manufacture of the products and provide a flow of information about them to help the distributor in his marketing program. Buckman also provides regional managers, area managers and area representatives to work with distributors in their countries and to help train sales staffs as well as interpret the information the U.S. plant provides in the light of local conditions.

Buckman recently established a bonded warehouse stock in Japan to supply the needs of distributors and customers. The home office staff in Memphis includes personnel who speak six languages.

'E' Star honors continuing success

The President's new "E" Star Award honors firms which have already received an "E" Award and have continued to make strides in exporting.

Manufacturers and business organizations being considered for the "E" Star must exceed prior achievements in exports or export service during the past three years, not overlapping the period of time recognized by the "E" Award.

Criteria for the "E" Star Award are similar to those for "E" Awards, which are made to U.S. manufacturers for substantially increasing exports over a sustained period; breakthroughs in highly competitive markets; introducing new products to U.S. export trade; and opening new overseas markets for U.S. products.

Nonmanufacturers—export firms, banks, chambers of commerce and other organizations—receive an "E" Certificate for Export Service by demonstrating novel and successful solutions to such problems of export trade as financing, transportation and marketing and for important contributions to market promotion programs.

The "E" Star Award is part of President Nixon's program to increase U.S. exports to $50 billion annually by 1973, compared to $37.3 billion in 1969. It is designed to stimulate U.S. businessmen to boost their profits by additional overseas sales, thus improving the nation's balance of trade and balance of payments.

SEVENTY-SEVEN MEMBER National Export Expansion Council held 11th plenary meeting in Washington May 14. Above, members listen to committee findings.

EXPORT ADVISOR'S MEETING

NEEC plots action course

Endorses DISC; forms Small Business Industry Committee, four special industry groups

Endorsement of the Treasury Department's proposed tax deferred plan for Domestic International Sales Corporations (DISC), a challenge to recommendations in the Peterson Report prepared by the Presidential Task Force on International Development; advocation of simplification and standardization of documents; and a call for more adequate export financing were among actions taken this month by the National Export Expansion Council.

Concern for small businessmen and for closer working relationships between industry and government were also expressed by members of NEEC in resolutions passed at Washington sessions.

A Small Business Industry Committee, which Frank M. Cruger, a member both of NEEC and the National Small Business Association, was suggested to head, was formed. Then support was given to a proposal made by John T. Connor, chairman of the board of Allied Chemical Corp. and former Secretary of Commerce. Connor asked NEEC to back the formation of a Foreign Economic Council with the Secretary of Commerce as its head to aid in the formation and implementation of U.S. foreign economic policy.

Carl A. Gerstacker, chairman of the board of Dow Chemical Co., Midland, Mich. and Chairman of NEEC, opened the meeting by welcoming seven new members to the Council. NEEC is a 77-member group which advises the Secretary of Commerce.

Before tackling Council business, Robert McLellan, Deputy Assistant Secretary of Commerce for Business Development, told the group that the U.S. should end the year with a trade surplus of $2-$2.5 billion—about $1 billion over 1969—depending on the state of the U.S. economy and other imponderables.

The Department of Commerce, McLellan said, will press forward with efforts to encourage the various federal agencies dealing with international business to be responsive to the needs of U.S. companies.

The Council authorized establishment of four more special committees to encourage increased exports by particular industries. The four are chemical products (industry chemicals, plastics materials and pesticides); communications systems (satellite ground stations, other long-distance communications equipment, and television and radio broadcasting equipment); food processing and packaging equipment; and office machines and computers.

On Treasury's plan for the proposed Domestic International Sales Corporations (DISC) to defer taxes on export until dividends are distributed, it was the NEEC Action Committee on Taxation, headed by Melvin Holm, president of Carrier Corp., Syracuse, N.Y., that recommended action.

In other action, the Council approved the reports of two committees that criticized two recommendations in the Peterson Report prepared by the Presidential Task Force on International Development. The committees warned of adverse effects on U.S. industry, foreign trade and the balance of payments if report recommendations which would remove requirements that U.S. foreign aid be "tied"

CRITICAL of the Peterson Report was the committee on less developed countries, chaired by Thomas H. Miner, one of several NEEC speakers.

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to purchase of U.S. goods and that more aid be channelled through multilateral agencies are accepted.

The committees critical of the Peterson Report were the Engineering and Construction Services Committee, headed by J. Robert Fluor, chairman of the board of Fluor Corp., Ltd., Los Angeles, and the Action Committee on Developing Countries, chaired by Thomas H. Miner, president, Thomas H. Miner & Associates, Inc., Chicago.

The Engineering and Construction Services Committee cautioned that the U.S. engineering and construction industry could be almost eliminated from the international market in five to ten years unless U.S. companies receive Government assistance equal to that given to their foreign competitors.

The committee called for additional steps to finance exports and suggested engineering and construction companies be permitted to form Joint Export Associations and Webb-Pomerene Associations. It also recommended more private sector participation in the U.S. foreign aid program.

The Industry Committee on Commercial Aircraft, whose chairman is Robert J. Murphy, vice president, The Boeing Co., Washington, D.C., said that the preeminent position of the U.S. aircraft industry is being seriously challenged by rapid strides in foreign technology and aggressive and cooperative sales efforts by foreign industries and their governments, particularly in the United Kingdom, Japan and the U.S.S.R.

To meet this competition, the Committee recommended closer industry-Government cooperation in developing a comprehensive strategy for aircraft exporting; long-term financing at competitive rates; greater attention to foreign procurement and production; and Government review of political and military policies affecting aircraft exports.

The Action Committee on Transportation, whose chairman is William A. Muriale, vice president, International Bank of America, San Francisco, said that additional action is needed to promote containerization, through documentation, and simplification and standardization of international trade documents. He reported that high steamship conference ocean freight rates appear to be restricting U.S. exports.

Secretary Stans

Commerce Secretary Maurice H. Stans in addressing the NEEC luncheon said that recent steps taken by the U.S. Government mark a "turning point" in efforts to improve the competitive position of U.S. industry in the "developing one-world market."

Secretary Stans said, "The new and urgent situation we are dealing with in the 1970s is compounded of many complex factors: the sharp decline in our traditional trade surplus; vastly heightened competition from a completely recovered and economically strong Europe and Japan; an accelerating trend toward regional market groupings; a rising wall of non-tariff barriers and the increasingly protectionist agricultural policies of the Common Market; a proliferation of preferential trading agreements between the Common Market and other nations that discriminate against U.S. exports; the increase in agricultural self-sufficiency overseas; the change in trading patterns caused by the rise of multi-national corporations; and the need of the less-developed countries for access to the markets of industrialized countries.

"To each of these developments, we shall respond within the framework of our traditional commitment to freer trade. We want to widen the markets for the products of working people everywhere. . . . We ask of our trading partners only the reciprocal treatment that is due by right to the nation that is the most open market in the world."

Secretary Stans said that during the Nixon Administration more "meaningful and effective steps" have been taken to expand exports than at any time in the decade since NEEC was formed. He listed:

► Liberalized export financing policies by the Export-Import Bank and its private affiliate, the Foreign Credit Insurance Association.

► The Treasury DISC proposal.

► Proposed amendments to liberalize criteria for findings of injury under the escape clause provisions in the Trade Expansion Act of 1962 to provide relief from imports threatening a domestic injury.

► Stronger export promotion programs.

► An attack on non-tariff barriers through the General Agreement on Tariffs and Trade (GATT), including proposals in the President's new trade bill that would strengthen his hand in seeking an end to certain foreign practices that discriminate against U.S. exports.

At the close of the luncheon, Secretary Stans presented the first Presidential "E" Star awards, a new export award for past recipients of the "E" award for excellence in exporting.

In a dramatic ending to the luncheon meeting, Secretary Stans presented NEEC Chairman Carl A. Gerstacker with a personal letter from President Nixon praising the organization's effectiveness in promoting U.S. exports. The businessmen "have generously shared their international business experience with Government and with fellow citizens seeking to expand their export sales," the President wrote. "Your program is an example of the finest kind of business participation in programs serving the national interest."

REPORTING FOR THE ACTION COMMITTEE ON TRANSPORTATION was chairman William A. Muriale, as Carl A. Gerstacker, right, and Deputy Assistant Secretary Robert McLellan review the findings.

Businessmen speak out

Tell trade policy views at Commerce Department-sponsored meeting on current issues

Responding to a call from Secretary of Commerce Maurice H. Stans, more than 500 leaders of the U.S. business community gathered with him in Washington in mid-May to review the current international trade and investment situation. They heard from officials in the Commerce, State and Treasury Departments, the White House Office of Special Trade Representative and the Export-Import Bank of the United States. Then it was business community's turn, as seen in the statements below, to take up Secretary Stans' suggestion that "the only way we can do an effective job for the nation and for business is to establish a much closer working relationship with business on international economic matters. In formulating our policy positions, we need to know much more about the problems you are facing . . ."

The speakers were DuPont President Charles B. McCoy; Eugene L. Stewart, Counsel to the Trade Relations Council; President Robert M. Norris of the National Foreign Trade Council, and Carl Gerstacker, Dow Chemical Board Chairman who is also Chairman of the National Export Expansion Council. Major excerpts from their responses follow, in which the statistics, interpretations of events, and opinions are, of course, strictly their own:

Gerstacker

Four years ago the National Export Expansion Council formed five action committees to advise Government on what should be done to spur exports. These committees came up with 35 specific proposals for Government action to help U.S. exporters become more competitive with their foreign counterparts. Two years ago these studies were brought up-to-date for the incoming Nixon Administration. These have just been updated again for our meeting which will take place here tomorrow. The five committees are concerned with financing, taxation, transportation, developing countries, and promotion.

It was initially apparent and is still true that exporters feel their greatest need in the area of taxation and export financing.

The Finance Committee, headed by Donald Douglas of McDonnell Douglas, has made many fine recommendations and has had the most success in getting its recommendations adopted. The Export-Import Bank, particularly under the aggressive leadership of its present head, Henry Kearns, has made many changes to help exports and is most responsive to the problems of business. However, as the current committee report will say, the U.S. has a long way to go before our export financing is equal to that of our major competitors like Japan or Germany.

The Taxation Committee headed by Mel Holm of Carrier Corporation, has urged changes in tax law and tax law administration to narrow the gap between the way the U.S. treats export profits and the way our foreign competitors do. Items include intercompany pricing, tax rates on exports, promotion allowances, and value added taxes. Essentially, none of these recommendations to make exporting more profitable have been adopted by Government. In fact, the 1962 tax law changes made exporting less profitable and the 1969 changes hurt in the sense that the 7% investment credit was eliminated despite the fact that European competitors now have as much as a 40% investment credit.

The Treasury Department has recently developed a proposal to permit extensive deferral of income taxes on profits from exports. They propose the use of a domestic subsidiary by U.S. manufacturers to handle their exports. The suggested company is described as a Domestic International Sales Company or DISC.

The rules on source of income and allocation of income between parent and subsidiary would be less complicated than they are now. The DISC would be permitted to loan funds to its parent for use in the United States without tax as long as interest income from such loans does not exceed sales income. Treasury experts estimate that the tax on exports may be deferred for ten years or longer which, in terms of cost, would be almost equivalent to complete tax exemption.

I hope that each of you will carefully consider the advantages of a DISC to handle your exports. The Treasury Department officials are interested in obtaining support for this concept. They are willing to consider suggestions for modifying the details but they believe the use of such a domestic subsidiary for export incentives is more acceptable than changing the tax provisions on foreign corporations or granting special tax rates to export companies. This is the first support industry has had from the Treasury Department for tax incentives for exports and I think we should cooperate in the effort to make the proposal acceptable to the Congress.

The Transportation Committee headed by Bill Muriale of the Bank of America has made suggestions concerning containerization, cabotage laws, and freight rate disparities, but little action has resulted.

The Committee on Trade with Developing Countries, headed by Tom Miner of Miner and Associates, has had little action on their recommendations. Ironically, the recent Peterson report to the President recommends untieing aid and this would result in losing some of our present exports to our aggressive competitors.

The Committee on Export Promotion, headed by Jack Kimberly of Kimberly Clark, has had good response in that Government funds for export promotion have been substantially increased.

Recently we formed three industry committees to work on the export problem. The Electrical Generating Equipment and Switchgear Group under Jose de Cubas of Westinghouse, points out the essentiality of getting U.S. equipment used throughout the world because maintenance and new orders tend to follow the type of original equipment being used.

The Commercial Aircraft Committee, under Bob Murphy of Boeing, has 27 recommendations, but the primary one continues to be that better financing is the key to commercial aircraft sales. The Engineering and Construction Services Committee under Bob Fluor of Fluor Corporation has 29 suggestions to improve our export of these services.

We are considering the formation of four new industry committees: chemicals, communication systems, food processing and packaging equipment, and office machines—computers.

Increasing exports is a field where the interests of business and government coincide. We both want the same thing. Why hasn't more been accomplished? It seems

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obvious to me that neither business nor government has given the balance-of-payments problem, or increasing exports, a very high priority. Few bills have been introduced and there has been little pressure on Congress. Why is this so?

Well, from the business standpoint:

1. Efforts go where the *profit* potential is; and exports because of prices, extra freight costs, accounts receivable and inventory problems, language barriers and currency differences, have been less profitable than domestic sales.

2. There's a general lack of knowledge or interest in exporting, particularly on the part of small companies.

3. The demand has been very good in the United States.

From the Government standpoint, apparently domestic problems and Vietnam have been more important. The need for tax income has made it difficult to reduce taxes on exports. Government career people, to some extent, still believe that the U.S. is overwhelmingly rich and powerful industrially. Unlike Japan or Germany, our Government has difficulty working with business on a common goal.

Now, exporting is good for your business profits. If you have been exporting in the past, you are certainly happy about it now because demand outside the U.S. has remained strong while we are having a recession, and I'll bet that you love those exports today. If you have not been exporting in the past, it's too late to help much in this recession; but you can't start too soon to get ready for the future.

The Nixon Administration is friendly to business and wants to help you help it solve the balance-of-payments problem through increased exports. Please get your organizations to put extra effort, short and long-range, on exporting and tell your Congressmen what you need in the way of financing or taxation improvements, or any other areas, to help you really make your exports take off.

Our trade balance is in the red and it is deteriorating both in quality and quantity. In my opinion, and that of the 1,500 members of the National and Regional Export Expansion Councils, our trade balance will continue to deteriorate unless something dramatic and positive is done by business and Government. We need a new feeling of necessity and urgency for exporting.

In my opinion, the most important immediate need is for Government to provide profit incentives for our American exporters—both small and large—like foreign exporters have. If Americans can make more profits exporting, we will not have to wave the flag, or urge our people to export, we will just have to run to keep up with them.

Norris

In discussing the prospects for freer trade I believe that what we are really talking about is a constructive forward movement for achieving freer trade. In my view, the ability to achieve this desirable goal requires the commitment of governments and peoples to find the most effective means to provide for and to productively and more widely employ the capital, technology, organization and management skills upon which economic progress depends. It requires also a wider, more current and more realistic understanding of the dynamics of private enterprise and the role of international business.

The capacities and true dimensions of international business are no longer adequately conveyed by the traditional term "foreign trade." The contributions of international business should no longer be measured merely by the total of a nation's exports and imports, for the total value of international production and trade associated with direct investment abroad, both by the United States and other capital-exporting countries, greatly exceeds the value of exports and imports.

The basic framework of internationally concerted monetary and economic policies and institutions upon which we have witnessed the expansion of world trade and investment over the decades must be preserved and strengthened. The complexity and magnitude of the task ahead pose compelling challenges to governments and to international businesses alike. These challenges, in turn, emphasize that realism is required on the part of all segments of the productive and distributive process, both within the industrialized and the developing nations, facing up to the increasingly competitive character of world business.

Central U.S. aim

As we all know, a strong and secure economy is the central aim of United States foreign trade policy, just as it is of our nation's whole array of related economic policies. And it is only in the context of consistent and mutually supporting monetary and fiscal policies that foreign trade can make its full contribution to the strength of our economy and to the well-being of our people.

There is a paramount need for the United States to maintain a sustainable balance in the U.S. international payments, and to assure the integrity of the dollar. The remedies which are required would be developed within an overall integration and consistency of measures relating to taxation and the reduction of governmental expenditures, as well as monetary, international trade and investment policies.

The primary requirements for strengthening the U.S. balance of payments continue to be the restraint or offsetting of inflationary pressures, from whatever source, and the preservation of cost-price levels in the United States, compared with other countries, which will enable the products and services of U.S. industry to compete in world markets.

Confusion on figures

With respect to the confusing disparity which exists in estimates of the U.S. balance of payments deficit when calculated on the liquidity as opposed to the official settlements or other bases which have been proposed, further efforts are called for to make balance of payments statistical methods more relevant and meaningful for analysis of the country's international position.

In a period of transition in patterns of international trade and investment, such as we are currently witnessing, and in levels of government expenditure, it is to be expected that the patterns of international accounts will also change. Such changed patterns may involve U.S. export trade surpluses of less magnitude than we have experienced in the past and can equally be consistent with sustainable balance in our international account.

Because of the essential interdependence of international trade and investment, we should not concern ourselves narrowly with trade policies which are restricted only to this country's immediate exports and imports.Our concerns must be broader, considering that between one-fourth and one-third of our non-agricultural exports are to foreign affiliates of U.S. companies.

Role of investment

I need not emphasize to this audience that foreign investment in many ways is essential to the preservation of market positions and to the development of new markets for U.S. products. It is the most effective means to introduce management and marketing skills and advanced technology, as well as capital, thus contributing particularly to the expansion of trade between developed and less developed countries. All economies are strengthened through the expansion of international investment and trade.

I would therefore emphasize that our foreign economic policies should encompass both foreign trade and investment and should aim at the overall strengthening of our economy by the most efficient allocation of resources through the operation of open market forces. Effective co-

ordination in the formulation and conduct of our foreign economic policies and programs within our government is required to give constructive force to all related measures for the promotion of international trade and investment.

In appraising our longer-run prospects, the continuance of the controls on foreign investments only impairs the efforts of international business to hold or build market positions and is self-defeating from the standpoint of our international payments position. Despite the steps which have been taken by the Department of Commerce to liberalize the mandatory control program, the termination of the foreign direct investment regulations at the earliest possible date is called for.

Progress toward freer international trade inevitably involves problems of adjustment to changed conditions for industries, firms and workers. In developing solutions to these problems, we should utilize and strengthen the agencies for intergovernmental cooperation on trade policy matters and preserve the essential framework to expand world trade and investment. We should not undermine the progress which has been achieved in the last two decades, or invite retaliation which would impair trade and investment.

Industry, worker relief

In the National Foreign Trade Council we recognize that there should be more readily available recourse to "escape clause" relief for industries, and to adjustment assistance for firms and workers, than has been possible under the test of eligibility provided for in the Trade Expansion Act of 1962. However, we would not agree that an increase in imports is in itself justification either for "escape clause" relief or adjustment assistance. It is our view that, in addition to a determination that an increase in imports has been a substantial cause of injury, it should be demonstrated that such increase in imports resulted in a direct and substantial way either from a tariff concession granted or from a U.S. Government action in the reduction or removal of a non-tariff restriction on trade.

Probably the most critical and difficult problem with which we are faced is how to bring about on a reciprocal basis the reduction or removal of non-tariff barriers. Progress in this area is essential to enhance the prospects for freer trade. Again, I need not remind this audience that such highly restrictive devices as quantitative restrictions, buy-national laws and practices, discriminatory internal taxes, arbitrary systems of customs valuation, state trading and marketing regulations, are now adversely affecting trade among many countries more than tariffs per se.

We fully appreciate that there are inherent difficulties and complexities in finding a basis for equating concessions to be granted for those received in any negotiations to reduce or remove non-tariff barriers.

Recognizing that in many instances legislative action is required for the reduction or removal of such barriers, we emphasize that there is a paramount prior need for general agreement, or agreement in principle, to be reached between the legislative and executive branches of our government as to the scope and nature of the negotiations to be undertaken. We emphasize also the need for continuing liaison with the industries concerned and that their views be sought and used.

In these international negotiations there should be sound bargaining, based on the principle of enlightened national interest. Any agreement involving concessions by the United States in reducing or removing non-tariff barriers should contain compensation of real advantage for expanding markets for U.S. products, with the interests of both agriculture and industry fully comprehended.

In this context we would recommend that action should be considered within the Congress to eliminate the American Selling Price system of customs valuation, to be effective at a time and under such conditions as in its view will demonstrate support for continuing initiatives by the United States and other countries to reach international agreements for the reciprocal reduction and removal of non-tariff barriers.

Difficult negotiations

With respect to bargaining, I am sure that Secretary Stans would be the first to agree that the negotiations with the Japanese on textiles add up to "hard bargaining." We note that even the bill for orderly trade in textiles still leaves the door open for the conclusion of voluntary agreements with other nations. We would certainly hope that voluntary agreements can be reached and that the imposition of mandatory orderly marketing measures can be avoided. A proliferation of such restrictive measures can threaten the whole climate both here and abroad for maintaining sound international trade and investment policies.

We seriously urge that any such restrictive measures be appraised in terms of their costs to the economy as a whole. Unfair competition and non-tariff barriers, which in contravention of the GATT adversely affect our commerce, should be opposed and offset by utilizing fully the countervailing duty, anti-dumping, and other safeguards, including voluntary agreements, temporary quotas and tariff adjustments, which are offered in our own laws and in the GATT.

Progress toward freer trade in the final analysis depends upon adherence by trading nations to the principles of reciprocity and non-discrimination in their trading arrangements. With the amendments or qualifications I have indicated, the Council strongly supports the legislative recommendations contained in H.R. 14870, "The Trade Act of 1969." We believe that its enactment with these amendments will serve to promote the economic welfare of our nation. It will help us to move forward with renewed leadership in preserving and strengthening the internationally agreed-upon policies which are essential for achieving freer trade and world economic growth.

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McCoy

Although our international business is small by some yardsticks, Du Pont does qualify as a multinational company, not only because more than 20% of our total sales, employment, and investment are outside the United States, but also because we run the business as a worldwide enterprise and look to non-U.S. markets as a major source of our future growth. We believe that more and more of the world's business will be done by multinational companies, whether their country of origin is in Europe, Asia or the Western Hemisphere.

In Europe, Latin America, Canada and Japan we are increasingly facing able competitors who not only have sophisticated technology and products but also benefit from favorable taxation and other forms of assistance and encouragement from their governments. The so-called technological gap has all but disappeared, at least in most parts of the chemical industry, if, indeed, it ever existed.

It seems to me that world business is in something of a transitional stage, with the multinational company having reached maturity before law and custom and attitudes are completely ready for it. It is clear that the old, somewhat narrow interests that once shaped the philosophy of a large business enterprise have been broadened and, consequently, made more complex. We are no longer protectionists or free traders, nationalists or internationalists, importers or exporters, hard-money or soft-money people.

We are, instead, businessmen who cope with conditions as we find them as we attempt to operate successfully within the widely divergent laws and policies estab-

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lished by many governments around the world. Our positions may not always seem consistent when measured by older—and perhaps clearer and more comfortable—catchwords, but we believe they are not paradoxical or contradictory when viewed against the backdrop of the world business scene.

Let me illustrate what I mean by two examples that also may suggest the kind of understanding and support we need from government.

The first involves the quantitative import restrictions on wool and man-made fibers, fabrics and garments imposed by European nations. These restrictions, which have been identified and catalogued by our own government, tend to deflect textile exports, especially from the Far East, into the United States. European countries, traditionally larger textile importers than we, are now importing proportionately less, while the United States, the only major unrestricted market in the world for man-made fibers and products made from them, is taking in proportionately more.

This fact, plus calculated and determined exploitation of the U.S. market by Japan and others, has created a situation about which something must be done. Imports of man-made fibers and products have grown rapidly. In apparel, for example, such imports measured in equivalent square yards rose 62% in 1968 and 64% in 1969. Imports accounted for between 8 and 10% of all U.S. consumption of man-made fibers and products last year. The textile trade deficit was $1.4 billion for 1969, compared to $1.1 billion the year before. And the situation has worsened in 1970.

Textile trends

If the scope of the present problem is clear, so also is the handwriting on the wall. Largely under Japanese leadership, the textile industry of Southeast Asia is expanding vigorously. Based on present patterns of trade, exports to the United States of apparel made of man-made fibers from Japan, Hong Kong, South Korea and Taiwan are expected to almost double by early 1971 as compared with 1969.

As you know, in Japan government and business are closely intertwined and national policy is deliberately planned and used to increase exports, with the Japanese textile industry one of the prime beneficiaries of that government support.

The United States textile industry, faced with this fact, must look to Washington for help. A sick textile industry, unable to plan its capital programs, inevitably means the export of some of the 2.3 million U.S. jobs now dependent on this business. Secretary Stans' diligent efforts in this situation to negotiate a solution in the form of an agreement for voluntary quotas are admired and appreciated. But, we are sorry to see, so far they have been unsuccessful.

Now, we conclude, the only solution is Congressional action limiting the quantities of man-made fibers and products that can be imported into this country. Therefore, our response in this case is to advocate the imposition of import controls, urging passage of the bill introduced by Congressman Wilbur Mills.

My second case centers around the difficulties created for the domestic petrochemical industry by the Mandatory Oil Import Control program. Because this program restricts imports of foreign petroleum, U.S. petrochemical manufacturers do not have access to the low-cost raw materials available to overseas chemical producers. The costs of petrochemical feedstocks are higher in the United States than in Europe, a serious implication for the international trade balance. In addition, the higher cost of feedstocks provides an incentive to locate plants abroad rather than in the United States. Both aspects of this problem were acknowledged in the recent report of the Cabinet Task Force on Oil Import Control and the Separate Report.

Realistic response

Du Pont's response to this situation has been to urge the relaxation and removal of petrochemical feedstock import controls.

In neither case does Du Pont's response stem from a protectionist or free trade philosophy. Rather, it reflects the fact that we must deal with things as they are in the real world—and we must have the understanding and support of government. In the long run, the actions taken stand or fall on whether or not they are in the best interests of the public.

In this connection, I think that industry thoroughly understands the need for negotiation in international trade matters. However, we are critical of bargains in which more is given—at our expense—than is received in return. The American Selling Price case is an example. Under a separate package negotiated at the time of the Kennedy Round, the American Selling Price system for customs valuation of certain chemicals would be eliminated and American tariffs lowered further in return for certain reductions in foreign tariffs. In our view the reductions proposed would offer little export opportunity in exchange for the sacrifices. It was simply a poor bargain.

We are now being told that ASP should be eliminated because of its great symbolic importance to our trading partners and in order to convince Europeans that the United States is really interested in negotiating the reduction of nontariff barriers. No concrete action by foreign powers is being proposed or sought as a direct response. This argument is not persuasive either. Nothing plus nothing still equals nothing.

The effect of foreign direct investment on the U.S. balance of payments, particularly in the case of a multinational company, is frequently discussed. We in Du Pont consider it important to correct the chronic deficit in the U.S. balance of payments. However, we do not think control of foreign direct investment is the right way to approach the problem.

During the past five years, while Du Pont has expanded its overseas investment very substantially, our export sales have increased annually. During this period, Du Pont's net positive contribution to the nation's balance of payments has exceeded $1 billion—the excess of total receipts from abroad, principally from exports, over funds from U.S. sources expended abroad, including imports and foreign investment.

It has been our experience that foreign investment stimulates U.S. export business. Many cases demonstrate that increased exports directly resulting from new overseas manufacturing facilities have exceeded the overseas investment. Possible displacement of U.S. exports by foreign investment is usually overemphasized, we think. In most cases, manufacture abroad is necessary to obtain or retain a market that will be closed to U.S. exports in any event. If Du Pont does not build the local plant, someone else will.

Effect of controls

There seems to be widespread agreement in both government and industry that the existing controls on foreign direct investment are self-defeating and will have serious adverse effect on the U.S. balance of payments if continued indefinitely. Of more immediate significance, the foreign investment regulations discourage export sales since any increase in trade receivables from foreign subsidiaries—the natural consequence of increased exports—is considered to be a transfer of capital. There are special exemption procedures designed to accommodate these situations, but our experience indicates that, as they are administered, the U.S. exporter is penalized as a result of increased sales through foreign subsidiaries.

The foreign direct investment controls were introduced as a short-term measure to provide temporary balance of payments relief, and U.S. industry has generally complied by resorting to various expedients. It has been evident for some time

that continuation of the program would involve serious problems, and most of us have proceeded with the belief or hope that the program would soon be terminated. However, it is now necessary to recognize some of these basic problems.

One is the conflict between the forced repatriation of earnings versus potential tax penalties; another is the serious financial implications of continuing to borrow overseas while the regulations themselves restrict the ability to repay such borrowings. It is not feasible to develop sound financing and operating plans under these conditions. We are becoming increasingly concerned and believe many others are in the same position, particularly the multinational companies.

Tax handicaps

Another major deterrent to increased U.S. exports is the punitive attitude embodied in U.S. tax law and administration, which not only fail to provide incentive for exports, but impose penalties, without parallel for any of our major foreign competitors. Many corporate taxpayers pay U.S. taxes on a substantial part of the earnings of foreign marketing subsidiaries from the resale of U.S. exports, just as though it were income earned by the U.S. taxpayer. Furthermore, the U.S. exporter is required to pay full U.S. tax on profits which, in reality, should be attributed to its foreign marketing affiliate. It is difficult to reconcile this situation with the government's stated interest in promoting U.S. exports.

I indicated earlier that we consider government inextricably involved with the affairs of a multinational corporation. Ultimately, much of our business success is dependent on the attitude and effectiveness of government in coping with the complex and difficult combination of international politics and economics.

Communications open

I hope that out of this meeting and similar activities, we of the business community will take advantage of this newly opened communications route to tell you in government what we think and why.

I don't think that you will find us unreasonable or blind; we know that political realities are as demanding and binding as economic realities. We are prepared, and I think able, to compete successfully with producers and sellers in Europe, Japan, and other parts of the world, on the basis of technology, productivity, marketing skills and the other business yardsticks. What we need is a business environment in which we are not handicapped by factors beyond our control. Only government can provide that climate.

Stewart

Notwithstanding 20 years of effort by the United States and the tremendous price paid by its substantially one-sided tariff concessions in the GATT trading rounds, the world trade apparatus is in greater disarray today than at any time in our postwar history. The original concept of the Kennedy Round negotiations included specifically the Common Market's variable import levies on agricultural products; the violation of U.S. rights under GATT implicit in the manner in which the border tax was being administered by Common Market countries in relation to U.S. exports; the separate violation of U.S. rights under GATT represented by the use by Japan and the Common Market of non-tariff measures such as Japan's "administrative guidance" systems for controlling the allocation of exchange for use in purchasing imported products; the effect on the foreign trade of the United States produced by the diversion of Japanese exports resulting from the Common Market's quantitative limitations against such exports.

Prior to the consummation of the negotiations, U.S. negotiating officials gave assurances to members of Congress that such items would be included in the negotiations—that the United States was prepared not to execute the Kennedy Round trade agreement if it did not receive satisfaction on these items. Regrettably, this promise was not kept.

Negotiation result

The result is that the U.S. market was opened wider to imports of manufactured products from Japan and Europe, while U.S. agricultural interests were penalized by the failure to improve access for exports of agricultural products subject to the Common Market's variable import levies system. We are confronted with the situation in which we have less favorable access to the principal markets for our goods than prior to the Kennedy Round, while our competitors have greatly increased access for their products to the United States market.

The significance of this position is underscored by the major change in the competitive position of United States products in the U.S. and export markets which has resulted from the great progress made by our foreign competitors in "catching up" with our technology while retaining from the point of view of market costs the economic advantage of the lower wages inherent in their lower standards of living.

Against this background, it is difficult to place faith in the assumption which underlies the position of advocates of a "free trade" foreign economic policy for the United States. That assumption is that the increased exports of the capital-intensive, technologically oriented export industries of the United States will create more jobs for American workers than are lost under the impact of increased imports of labor-intensive products.

The Trade Relations Council's study released last year is responsive to that point. At the time that report went to press, our data bank included reasonably complete data for 313 industries. These accounted in 1966 for 64% of total employment in all U.S. manufacturing industries. They supplied 85% of the value of shipments of manufactured goods in 1966. Products like or competitive with the output of these 313 industries accounted for 99% of total U.S. imports of manufactured goods in 1966, and of 85% of U.S. exports.

Within this group of 313 industries, there were 128 which experienced a balance of trade deficit in 1967. These accounted for 25% of total employment in all manufacturing industries in 1966, and for 29% of the value of shipments. Most significantly, however, imports of articles like or competitive with the output of these 128 industries accounted for 65% of total imports of manufactured products in that year, while the exports of these industries accounted for only 12% of total U.S. exports of manufactures.

The balance of trade deficit of these industries in 1966 was equivalent, at the value of shipments per worker in these 128 industries, to a net loss of 367,552 jobs. Since the 128 industries preponderantly have comparatively high labor-intensive ratios, it may also be said that the lost jobs opportunities represented lost employment opportunities for comparatively unskilled workers who, in manufacturing, are chiefly employed by such industries.

The effect of foreign trade in the product categories of these 128 industries on the U.S. balance of payments was even more dramatic. Taking imports and exports at the values reported by the Department of Commerce, we had a foreign trade deficit of $9 billion in 1967 in these products.

Opposite effect

In contrast, there is a separate group of 185 industries for which foreign trade has had the opposite effect. This group accounted in 1966 for 39% of the total employment in all manufacturing industries, and for 56% of the value of shipments. Imports of products like or competitive with the output of these industries accounted for only 34% of total imports of manufactured articles in 1967, whereas

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these industries supplied 73% of total U.S. exports of manufactures in that year.

Foreign trade in the product categories of these industries resulted in a foreign trade surplus of $10.4 billion in 1967. Because the 185 industries are, in general, less labor-intensive than the separate group of 128 industries previously described the job equivalent of the foreign trade surplus in the product categories of the 185 industries was equivalent in 1966 to 201,532 jobs, considerably smaller than the job loss represented by the foreign trade deficit of the 128 industries.

Effect is growing

Since that report was published, employment and output data for the year 1967 have become available, as well as foreign trade data for the years 1968 and 1969. Our data bank will be updated with these additionl statistics. As is well-known, imports of manufactures continued to increase more rapidly than exports during the years 1967 through 1969. These trends will increase the job loss in labor-intensive industries and erase the balance of trade surplus in favor of the capital-intensive manufacturing industries. We expect to release our updated study in the near future.

I have selected a group of basic manufacturing industries adversely affected by foreign trade developments in recent years and have updated the employment, output, and foreign trade data for these industries. These cases illustrate the basic fact that the United States' favorable balance of trade in manufactured products, which exceeded $5 billion as the decade of the 1960s opened, has been sharply eroded by an average annual rate of growth of imports of manufactures nearly twice that of our exports. Some of our basic manufacturing industries are suffering such a serious degree of import penetration that rising unemployment and financial instability for many firms in these industries are the consequences.

Imports rise rapidly

U.S. imports of manufactures are growing at an average annual rate of 15%, nearly two and one-half times that of the growth of manufactured products in the Nation's GNP at 6%. The import penetration of manufactured products has doubled during the decade of the 1960s.

When U.S. imports are valued in accordance with the practice of virtually all other developed countries, on their c.i.f. value, it will be seen that the value of imports in 1969 exceeded that of U.S. exports by $551 million. When U.S. exports under the Foreign Assistance Act and Public Law 480 are subtracted from our export statistics, the commercial trade deficit becomes $2.2 billion. So far as U.S. manufacturers are concerned, therefore, the rising tide of foreign trade has not lifted all of the boats. Those of the U.S. have been left behind.

The dominant characteristic of U.S. foreign economic policy as shown by this experience is that it is underbalanced and operates unfairly on U.S. manufacturing industries.

Industries' dilemma

The dilemma faced by such manufacturing industries, is to find that their domestic market has been opened up for unlimited access to foreign competitors while the markets of those competitors have been substantially denied to U.S. exports.

The foreign economic policy issues which have been exposed by the discussion and analysis presented in this paper are as follows:

► The selective exchange of well-defined market opportunities in the U.S. and foreign countries, which was the essence of Cordell Hull's reciprocal trade agreements proposal, has not been realized.

► Because the trade agreement authority conferred upon the President was used as a species of foreign economic aid rather than as a commercial instrument to benefit American industries pari passu with foreign industries, the U.S. share of world exports of manufactures has declined, while foreign industries' share of U.S. consumption of manufactured articles has increased.

► With the currency for bargaining reciprocal trade advantage on behalf of the United States substantially dissipated by the essentially unilateral nature of past tariff negotiation, the United States is in a very difficult position to advance its own commercial interests in the 1970s because it has little in the way of bargaining power left to use for such purposes.

► The U.S. leadership/invincibility of U.S. export industries syndrome that has dominated the judgment of U.S. negotiators throughout the postwar era is contrary to the facts of international commercial life with which we are faced today.

► Contrary to the philosophy of foreign aid-oriented trade agreement negotiating experts of the past two decades, the realities of international commercial life are that U.S. industry does not possess any significant technological advantage translatable into competitive cost advantages in comparison with its foreign counterparts. The outlook for the 1970s is that technologically dynamic, large-scale manufacturing enterprises in foreign countries, substantially financed and enriched by technological know-how by U.S. companies, will reap the economic advantage of the cost bias of the lower standard of living of foreign countries and dominate world trade in manufactured products. This dominance will extend to the progressive diminution of the U.S. share of world trade in manufactured products, and the continued and more rapid invasion of the U.S. market by foreign industries. This process is already well advanced.

► There has been no coherent and consistent policy for the support of domestic manufacturing industries in this type of a contest comparable to the close liaison and effective support which Japan and the developed nations of Europe give their industries in competing for export markets. In the United States, domestic policy is developed on an ad hoc basis influenced primarily by political considerations in favor of a few large industries whose work force and investment fertilize political interests in sufficient States and Congressional districts to yield commanding interest in their foreign trade problems. The rank and file of American industries are unable to muster this type of political support and have become the children of neglect under foreign trade policy administration dominated by the diplomatic imperatives of foreign interests.

Policy unbalanced

The aggregate expression of the above-described issues in foreign economic policy is that of a serious and pervading imbalance in our foreign economic policy concepts and administration which obscures or ignores the valid interests of domestic manufacturing enterprises and their employees.

My recommendation is that foreign economic policy for the 1970s be significantly restructured with the objective of securing a balanced consideration of domestic with foreign economic interests suitable for advancement in a strong and sustained way of the general welfare of the people of the United States.

This advancement necessarily includes the creation of an economic climate for the strengthened operation of a broad diversity of U.S. manufacturing enterprises within the United States; the protection and advancement of the interests of American workingmen, allowing them reasonable opportunities for the gainful utilization of the broad range of native aptitudes and skills which are characteristic of the American workingmen; and a due regard for the continued fostering of the economic well-being of local manufacturing establishments throughout the United States.

REPORT ON HOUSE HEARINGS, II

Cabinet adds trade views

Secretaries of State, Agriculture, Labor support '69 proposal; quota bill deferral sought

Administration leaders have been continuing their testimony, which began May 11 on Capitol Hill, covering proposed trade legislation.

Speaking before the House Ways and Means Committee, Cabinet members William P. Rogers, Clifford M. Hardin, and George P. Shultz have followed Secretary of Commerce Maurice H. Stans, Special Trade Representative Carl J. Gilbert, and Secretary of the Treasury David M. Kennedy, whose presentations were summarized in last week's issue of INTERNATIONAL COMMERCE.

Secretary of State Rogers, in supporting the proposed Trade Act of 1969, pointed out that he was "acting in the tradition of all Secretaries of State since 1934, when Cordell Hull proposed that we lead the world in reducing barriers to international trade. The reason for this constancy is simple. An affirmative trade policy is an indispensable part of an effective foreign policy."

Forward step

The Act, which he called a "necessary forward step," gives the President authority to negotiate minor tariff reductions, provides the basis for reduction of non-tariff barriers, and clears away some of the legal obstacles that have limited the effectiveness of the adjustment assistance and escape clause relief provisions of the Trade Expansion Act of 1962, he explained. "If we are to resist pressures for import restrictions that would hurt us all, we need effective administrative remedies to help those who are hurt."

Without latitude to negotiate reductions in tariffs, Secretary Rogers said, the President cannot offer a tariff reduction on one product in compensation for an increase in the tariff on another.

As for non-tariff barriers, he said, "the key to progress on this issue is elimination of the American Selling Price system of customs valuation. Action on this proposal will implement agreements, negotiated during the Kennedy Round, that will provide additional benefits to our chemical industry as well as to the automobile and other industries. But even more importantly, it will be a signal to the world, and particularly to the Europeans who have taken a keen interest in elimination of ASP, that the United States is willing—and ready—to negotiate on other non-tariff barriers. The repeal of ASP is essential if we are to get on with the business of reducing non-tariff barriers that hurt *our* exports."

Moving on to additional trade legislation under consideration, the Secretary called for a deferral of action on the Mills proposal to place quotas on imports of textiles and leather footwear.

"As Ambassador Gilbert and Secretary Stans have informed the Committee, we believe the Congress should defer action on the bill. We seek deferral not because we are insensitive to the very real difficulties facing the textile and shoe industries. On the contrary, we are fully aware of their problems and anxious that suitable action be taken to help them. We seek deferral because we believe that alternative means now being actively pursued in the Executive Branch will provide the necessary help and relief without the need for legislation that might bring harm to other parts of our national economy."

Rogers also urged that Congress extend the International Coffee Agreement Act of 1968 from its present expiry date of Sept. 30, 1970, until Sept. 30, 1973.

Tariff preferences

In addition, Secretary Rogers commented on the subject of special tariff preferences for the poor countries—a question on which legislation is expected to be submitted early in 1971:

"Expanding trade is vital to the developing countries. Even under the most optimistic assumptions as to what may be possible to improve and stabilize earnings from commodity trade, it is clear that the poor countries must diversify their economies and increase their exports of processed and manufactured goods, as they are beginning to do in varying degrees. But their fabricated goods face a formidable array of tariff and quota barriers in the markets of the advanced countries.

"It makes neither economic nor political sense to help the poor countries modernize their economies and then refuse to buy their wares. As the President made clear late last year in his speech on Latin American policy, we will seek adoption of a liberal system of tariff preferences for the manufactured exports of all the developing countries—excepting only certain sensitive products—as part of a general arrangement in which all advanced countries would open their markets to all the poor countries without seeking reciprocal benefits for themselves.

"We are currently consulting with these countries—both the advanced and the developing countries—in an effort to work out a general understanding. We have, of course, made clear that our participation in any such arrangement will require approval by the Congress."

Agricultural trade

Secretary of Agriculture Hardin, in his testimony urging passage of the Trade Act, told the Committee that every sector of our economy has a stake in liberalized agricultural trade. He said:

"Farmers benefit from export marketings. For example, in fiscal year 1969 the export market provided an outlet for almost three-fifths of U.S. production of rice; two fifths of the soybeans—including oil equivalent; almost two-fifths of the tobacco; and over a third of the wheat.

"Businessmen are helped. Agricultural exports mean profits for many export-related enterprises, such as inland transportation, storage, financing, insuring, ocean shipping, and the like.

"American workers gain. A study by the Department of Labor reveals that in a recent year agricultural exports supported about 730,000 U.S. jobs.

"There is another point. For many years agriculture has been a prime dollar earner in overseas markets. The gross earning in recent years has been well over $5 billion annually. This, of course, has helped our balance of payments."

Secretary Hardin cited the record set in fiscal 1967 for U.S. agricultural exports —$6.8 billion—and the drop to $5.7 billion by fiscal 1969. "There has been a general increase in agricultural production outside the United States," he explained. With some of this increase we can have no quarrel, he said—for example, that brought

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Reciprocal effort stressed

Secretary of State William P. Rogers, in his recent testimony before the House Ways and Means Committee, pointed to the dismantling of trade barriers as a reciprocal effort:

"Because of the size of the United States in world affairs—we account for 40% of the world's gross product—any movement by the United States away from its historic trade policy would have adverse consequences around the globe. The United States is the largest single trading nation. We must act responsibly. A turn toward restrictionism would be fundamentally disruptive of the kind of world we have been trying to build since the end of the Second World War.

"This does not mean that we should sacrifice our economic interests to the requirements of foreign policy. We must ensure that others too follow an open policy, permitting us to export as freely to them as they to us. The dismantling of trade barriers has been and must continue to be a reciprocal effort, from which everyone can gain."

about by technological advances and favorable weather.

"But we *do* quarrel about the increase in agricultural output that has come about because of unreasonable trade barriers set up to protect excessively high guaranteed prices. Trade carried on naturally and without artificial devices or constraints benefits both parties. Barriers to protect high guaranteed prices of farm products are not only a constraint in themselves but they also cause distortions in production.

"With systems of protected guaranteed prices, governments make it profitable for farmers to use the fertilizer, machinery, improved seeds, improved breeds, and all the other inputs which, in the aggregate, tend to expand output. Therefore, overprotection brings about the substitution of high-cost, domestically produced farm commodities for efficiently produced low-cost imported farm products. Both importing and exporting countries lose in the long run."

In addition to mentioning other problems, Secretary Hardin cited some bright spots: Soybean exports, which in this current season have been "almost phenomenal;" increasing world demand for feed grains; a basic market for U.S. wheat—especially hard wheat and durham; and growing markets abroad for a variety of other commodities.

To realize the full potential of these markets, he said, "we need to work in a liberal, market-oriented climate."

Adjustment assistance

Secretary of Labor George P. Shultz also spoke in support of the proposed Trade Act. Concentrating on its adjustment assistance features, Secretary Shultz emphasized that "we must be concerned about the individual problems which arise as a consequence of actions which result in gains for the entire community. In short, within the framework of the legislation before this Committee, adjustment policy and trade policy go hand in hand."

Adjustment assistance to workers adversely affected by increased competition from imports was provided for in the 1962 Act. For a firm or its workers to be eligible to apply, the Tariff Commission must determine that competitive imports are the result in major part of trade agreement concessions, and that these imports have been the major factor in causing or threatening serious injury to the firm or unemployment or underemployment of the workers. The proposed Act liberalizes eligibility criteria.

Changes recommended

"We propose elimination of the requirement that tariff concessions must be shown to be the cause of increased imports," he explained. "The increase in imports should not have to be related to a tariff concession. We also propose that adjustment assistance for firms and workers should be available whenever increased imports have been a substantial cause of serious injury to a firm or unemployment or underemployment of the workers."

Shultz recommended that determinations of eligibility for firms and workers to apply for adjustment assistance be made by the President instead of the Tariff Commission. "Our purpose is to make a clear distinction between escape-clause and adjustment assistance findings," he said. "Industry-wide escape clause findings impinge directly upon our international trade relationships. It is therefore appropriate for such findings to continue to be made by the Tariff Commission, and be subject to Presidential review taking into account the entire international picture."

The Secretary referred to Department of Labor programs now being planned to assist adversely affected workers: An "early warning system" to pinpoint problems and adjustment; and an adjustment team comprised of representatives of the employment service, the employer, and the workers to interview each affected worker.

The relationship between employment and trade was discussed briefly. "As best we can judge," said Shultz, "U.S. foreign trade means more, not fewer, jobs and job opportunities for Americans." He pointed out that U.S. merchandise exports and imports each represent some 4% of our gross national product, and as such are important but not dominant influences on the economy. In 1968 and 1969 when imports reached new high levels, he noted, total employment also reached new highs and unemployment new lows.

"The Trade Act of 1969," Shultz concluded, "represents a consistent continuation of the nation's reciprocal trade agreement program. This kind of trade policy holds the best promise for expanding employment opportunities in the wide range of industries involved in international trade."

Elimination of ASP

Carl Gilbert, in his second presentation before the Committee, urged elimination of the American Selling Price system of customs valuation. Calling attention to the system's origin—as it applies to certain chemicals, it has been in operation almost a half century—and purpose, and to detailed studies of the recent proposal, Gilbert told the Committee:

"The form in which elimination is proposed and the rates which would replace the present, ASP-based rates were fairly and reasonably arrived at, the agreement in which they are embodied provides reciprocity, and above all, the application of these rates should not be the cause of injury to the firms and workers involved. It should lead, instead, directly to an expansion of mutually beneficial trade in chemicals, and to benefits, both direct and indirect, to other American industries, farmers, and consumers. I can add without any equivocation whatsoever, that although no value is assigned to it in appraising reciprocity, the elimination of ASP will lead to an improved climate, greater credibility, and a major stimulus to the future removal of other nontariff trade barriers. Moreover, all of the evidence accumulated since 1968 and virtually all of the trends since then reaffirm the evidence you had before you in 1968 that the chemical industry, including its benzenoid producers, is one of our more aggressive international competitors scarcely in need of extraordinary protection."

FIRST QUARTER BALANCE

Payments heavily in red

Both measures of U.S. world finances show large deficits, but trade balance improved

Both methods of measuring the U.S. balance of payments showed very large deficits in the first quarter, according to the Commerce Department's Office of Business Economics.

The U.S. balance of payments on the liquidity basis—including the favorable impact of the initial allocation of Special Drawing Rights (SDRs)—was in deficit by $1,727 million, seasonally adjusted, in the first quarter. Excluding the SDR allocation, the deficit was $1,944 million, a $2.5 billion adverse swing from the $532 million surplus in the fourth quarter of 1969, but little change from the $1.8 billion average quarterly deficit in 1969.

The balance on the official reserve transactions basis, adjusted for seasonal factors, was in deficit by a record $3,096 million. The deficit was $3,313 million excluding the SDR allocation, which represented a deterioration of about $4 billion from the surplus in the fourth quarter ($837 million) and from the average quarterly surplus in 1969.

The liquidity balance

The liquidity balance is intended to be a broad indicator of potential pressures on the dollar resulting from changes in our liquidity position, and is measured by changes in U.S. official reserve assets and changes in liquid liabilities to all foreigners.

However, this measure of potential pressure has been distorted in recent years by two factors: special financial transactions —mostly shifts of funds by official foreigners and international agencies from liquid to nonliquid categories—improved the balance before 1969 and their reversal enlarged the 1969 deficit; in addition, the 1969 deficit was inflated by roundabout flows of U.S. funds to the Eurodollar market and back to the United States through the foreign branches of U.S. banks. Neither type of transaction represents a real change in our underlying position.

In the first quarter, reversal of special financial transactions increased the liquidity deficit by $238 million (compared with a nominal $3 million reversal in the fourth quarter). With only partial data now available for the first quarter, it is not clear whether there was a renewal or a reversal of the roundabout flows that enlarged the liquidity deficit last year.

The major known factors accounting for the $2.5 billion deterioration between the fourth and first quarters were:

Foreign purchases of U.S. securities declined $653 million (excluding Treasury issues and special financial transactions), most reflecting a swing from substantial net purchases of U.S. stocks to small net sales;

U.S. Government cash receipts associated with military sales contracts declined $441 million following the large fourth quarter prepayments made by Germany under the agreement for offsetting the foreign exchange costs of American forces;

U.S. purchases of foreign securities increased $99 million; and

Net outflows associated with reversals of special financial transactions increased $235 million.

The largest element in the first quarter deterioration, however, was a $1.5 billion adverse shift in the residual item representing the balance of transactions for which data are not now available. Some of this swing probably reflected partial reversal early in the quarter of the year-end repatriation of funds by U.S. corporations under the Foreign Direct Investment Program, similar to the reversal which occurred a year ago.

These adverse shifts totaled $3 billion. The major favorable developments in the first quarter that can now be identified were: (1) a $462-million reversal of bank-reported flows from the unusually large outflow in the fourth quarter; and (2) a $77 million improvement in the trade surplus.

The official balance

The official reserve transactions balance is intended to be an indicator of immediate exchange market pressures on the dollar during the reporting period. In addition to changes in U.S. official reserve assets, it takes account of changes in liabilities only to foreign monetary authorities, but includes changes in both liquid and certain nonliquid liabilities.

But occasionally this measure of actual exchange market pressure has also been distorted. In 1969, particularly in the first half of the year, sizable amounts of foreign official funds held directly with U.S. banks were evidently shifted into Eurodollar deposits. Although such shifts favorably affect the official surplus, they imply no strengthening of the dollar in the exchange market nor any loss of dollars by foreign central banks. Fragmentary information suggests that in the first quarter of 1970 shifts of official funds in the opposite direction—from Eurodollar deposits to direct holdings with U.S. banks—tended to exaggerate the deterioration in the official balance. On the other hand, the official balance was favorably affected by $90 million of special financial transactions.

A more important influence on the first quarter swing in the official balance, however, was the change in monetary conditions. The total deterioration in the balance (excluding the SDR allocation) from the fourth to the first quarter was $4.2 billion, $1.7 billion more than the deterioration in the liquidity balance. The difference was largely due to a $2 billion shift in the flow of foreign private liquid funds, from an inflow of $163 million in the fourth quarter to an outflow of $1,801 million in the first quarter. This outflow was probably associated with the sharp fall in short-term interest rates in the United States and in the Eurodollar market as monetary policy in this country became less restrictive during the first quarter.

U.S. banks cut back on Eurodollar borrowings through their foreign branches, reducing their liabilities by about $1 bil-

Full data available

Complete balance of payments data for the first quarter, revised data for earlier years, and further analyses will be published in the June issue of the *Survey of Current Business*, the monthly magazine of the Office of Business Economics.

The *Survey* is available from field offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of $9, including weekly supplements; single copy, $1.

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lion in the first quarter, continuing the trend that started in the fourth quarter. It has probably been stimulated both by the Federal Reserve Board's imposition last fall of marginal reserve requirements on Eurodollar borrowing and by the bank's success in developing an alternative domestic source of funds through the issuance of commercial paper by bank holding companies.

In the fourth quarter, other private foreigners increased their dollar holdings, offsetting the decline in liabilities to branches. In the first quarter, however, with the decline in Eurodollar interest rates while credit markets in a number of major foreign countries were still tight, other private foreigners cut their dollar holdings. There were thus large shifts of private foreign funds into foreign currencies in the first quarter and a consequent increase in dollar holdings by foreign central banks. The United Kingdom made particularly large gains following the return of confidence in sterling, with gains also registered by France, Canada, Germany and Japan.

On Jan. 1, the United States and other participating nations received their initial allocation of Special Drawing Rights (SDRs). These international reserve assets were created to insure an orderly and adequate growth in international liquidity. The system was set up through amendments to the International Monetary Fund's Articles of Agreement which became effective on July 28, 1969 and provides for the allocation of SDRs to participating members in proportion to their IMF quotas. In addition to the initial worldwide allocation, involving about $3.4 billion of SDRs, two further allocations will be made to participating members during the first basic period (about $3 billion each, on Jan. 1, 1971 and 1972).

Add to U.S. reserves

Allocations of SDRs add to U.S. reserves and since there is no corresponding increase in liabilities, both the liquidity balance and the official balance are favorably affected by the amount of the allocations. To facilitate continuity of analysis, the balances are also shown excluding the allocations of SDRs.

The United States received an $867 million allocation for the year on January 1.

In addition to allocations of SDRs, reserve holdings of SDRs also change because the United States purchases SDRs from other countries for dollars or sells SDRs to other countries. In the first quarter, the United States acquired $53 million of SDRs through such transactions with foreign countries. These transactions are associated, at least initially, with a corresponding increase in liquid liabilities to official foreigners and thus have no net impact on the official balance or on the liquidity balance.

Financing the balances

U.S. official reserve assets increased $386 million during the first quarter (Figures in this section are not seasonally adjusted). The rise reflected:

► An increase of $44 million in official gold holdings;

► An increase of $920 million in SDRs, of which $867 million represented the initial allocation;

► A $253 million improvement in our gold tranche position at the IMF (essentially, our automatic drawing rights), as foreign countries continued to draw dollars from the IMF; and

► A partially offsetting decline of $831 million in U.S. official holdings of convertible foreign currencies, mostly reflecting net repayments by foreigners of drawings on mutual swap facilities with the United States.

Liquid liabilities to all foreigners increased $1,121 million in the first quarter. The difference between this increase and the $386 million increase in reserve assets equaled the $735-million liquidity deficit (including the SDR allocation). Liquid liabilities to foreign commercial banks decreased $1,613 million, of which about $1 billion reflected a decline in U.S. banks' liabilities to their foreign branches. Liquid liabilities to foreign official agencies increased $2,742 million; those to international and regional organizations increased $156 million; and those to other foreigners decreased $164 million.

The first-quarter deficit of $1,932 million on the official reserve transactions balance (including the SDR allocation) reflected the above-mentioned $2,742 million increase in liquid liabilities to official foreigners, a $424 million reduction in certain nonliquid liabilities to official foreigners, and the $386 million increase in U.S. reserve assets.

Special financial transactions

Special financial transactions adversely affected the liquidity balance by $238 million in the first quarter. In the preceding quarter their net effect had been negligible, although the average quarterly unfavorable impact in 1969 was roughly $230 million.

The major adverse transaction was the liquidation in January—before maturity—of $542 million of mark denominated, nonmarketable, medium-term U.S. Government securities by Germany; this amount, which included the impact of the mark revaluation, represented half of the securities that Germany purchased during fiscal years 1968 and 1969 under the military expenditure offset agreement.

In addition, there was a further reduction of $180 million in nonliquid time deposits of foreign agencies and international and regional organizations. Partly offsetting these adverse transactions in the first quarter were purchases by Canada of $300 million of nonmarketable, medium-term U.S. Government securities, purchases by

New Kennedy Round report available

Another special report on Kennedy Round tariff cuts has been released by the Department of Commerce. Entitled, *Kennedy Round Special Report—Mechanical Power Transmission Equipment and Bearings*, the report details the import duty rate reductions being made on mechanical power transmission equipment and bearings by 15 countries as a result of the Kennedy Round of GATT tariff negotiations.

The report shows the pre-Kennedy Round rates, the final rates, and the proposed staging for reaching the final rates. It also contains data on the U.S. share of the import market for mechanical power transmission equipment and bearings in each country, and background information on the Kennedy Round.

The countries are: Austria, Canada, Denmark, Finland, Japan, Norway, Sweden, Switzerland, the United Kingdom, and the six European Economic Community (EEC) nations—Belgium, France, Germany, Italy, Luxembourg, and The Netherlands.

The report is available for 25 cents from Sales and Distribution Branch, U.S. Department of Commerce, Washington, D.C. 20230.

Previously issued reports on pumps and compressors, air conditioning and refrigeration equipment, textile machinery, medical and X-ray equipment, materials handling equipment, photographic equipment, agricultural machinery, valves and similar appliances, electrical measuring and controlling instruments, and business machines, are available at the same price.

the World Bank of $94 million of U.S. agency bonds, and purchases—principally by Japan—of $90 million of foreign obligations from the Export-Import Bank.

The $90-million purchase from the Export-Import Bank also had a favorable effect on the official reserve transactions balance. Special financial transactions had had a negligible impact on the official reserve transactions balance in the fourth quarter; for 1969 as a whole they had an average quarterly adverse effect of about $40 million.

Merchandise trade

The balance on merchandise trade rose to a seasonally adjusted surplus of $519 million in the first quarter, compared with surpluses of $318 million and $442 million, respectively, in the third and fourth quarters of 1969. With a steady improvement in the balance since mid-1969, the first quarter surplus reached an annual rate of $2.1 billion, up sharply from the surplus of only $600 million for all of 1969.

The $77 million increase in the first quarter surplus reflected a $384 million increase in exports, to $10,218 million, versus a gain in imports of $307 million, to $9,699 million. The gains in both exports and imports were larger than in the fourth quarter. (These figures are on a balance of payments basis which excludes Department of Defense exports and imports and reflects various other adjustments to the trade data reported by the Census Bureau.)

The increase in exports in the first quarter was entirely in non-agricultural shipments. As economic activity in our major markets abroad continued strong, industrial supplies and materials sales rose by $220 million—mainly chemicals, coal, and metals; and machinery exports, largely the more technologically-advanced types, increased $100 million. Exports of commercial aircraft and parts increased by $100 million. Delivery of the new jumbo jets was only a small factor in the rise, although large deliveries are expected in the second quarter. These first quarter gains were partly offset by a $40 million decline in automotive exports, especially to Canada.

The increase in imports was larger than might have been expected in view of the slowdown in domestic economic activity. Non-food consumer goods (excluding autos) rose by $200 million, after showing little change from the third to fourth quarter. Industrial supplies and materials rose $70 million and capital goods rose $60 million. Imports of foodstuffs increased over $120 million, following an almost equally strong $100 million gain in the preceding quarter. Meat imports, the leading element in the first quarter gain, are subject to quota. In the fourth quarter, meat imports contracted to remain within the 1969 annual quota ceiling, and they expanded with the start of the new quota year.

Some impact of the slowdown in the domestic economy was evident, however, in a $140 million reduction in automotive imports from Canada, although automotive imports from overseas increased slightly. At the same time, foreign cars (as compared with U.S.-type autos) took a larger share of domestic auto sales.

Claims on foreigners reported by U.S. banks shifted favorably by $462 million, seasonally adjusted, in the first quarter to an inflow of $138 million from an outflow of $324 million in the preceding quarter.

Most of the favorable change was in short-term claims, which dropped sharply in January after a large rise in December. Acceptances made for the account of foreigners declined during the first quarter, but there was a partly offsetting rise in collections outstanding, with other types of short-term loans little changed. The changes in both the fourth and first quarters mainly reflected shifts in short-term claims on Canada and Japan. Long-term claims declined $19 million in the first quarter; in the fourth quarter they had dropped $34 million.

U.S. capital outflows reflecting net purchases of foreign securities increased $168 million, seasonally adjusted, in the first quarter, up $99 million over the unusual low fourth quarter figure. Purchases of new Canadian issues increased $60 million and the World Bank, which had been out of the market in the fourth quarter, drew down almost $50 million on an issue negotiated earlier. Inflows from redemptions dropped off by over $50 million.

Partly offsetting these adverse shifts, U.S. residents' net sales of outstanding foreign securities increased almost $90 million to over $120 million in the first quarter. Primarily, these were sales of foreign equities to residents of Canada and Japan, partly reversing the large purchases from these countries in 1969.

Foreign sales of U.S. securities

Net foreign purchases of U.S. securities (other than Treasury issues) declined $653 million to a two-year low of $277 million in the first quarter. Nearly all of the decline was due to a swing in foreign investment in U.S. stocks, from net purchases of about $470 million in the fourth quarter to moderate net sales of about $90 million in the first quarter. The weak performance of the U.S. stock market was evidently a major factor in the swing.

Net foreign purchases of U.S. bonds (excluding Treasury issues and special financial transactions) dropped over $50 million, to about $270 million for the quarter. Foreign investments in U.S. corporate new issues in the Eurobond market totaled less than $160 million, down over $90 million from the fourth quarter.

U.K. foreign trade in photo goods had strong year in '69

U.S. supplied 38% of imports, bought about 7% of exports

The British photographic goods industry enjoyed a good year in 1969, with production of equipment and supplies up slightly and exports about 30% higher than in 1968. Preliminary statistics indicate that manufacturers' deliveries of photographic equipment, film, paper and chemicals probably totaled about $310 million compared to $298 million in 1968.

The outlook for production and sales in 1970 is fairly good and would be very bright except for the prospect of continued governmental restraints on consumer purchases. Domestic sales of photographic equipment continue to be depressed by the 55% purchase tax levied on most items for consumer use. Sales of such items as home movie cameras and projectors, slide projectors and other consumer items have been severely curtailed.

British exports of photographic goods in 1969 totaled $195 million, about 30% higher than 1968 exports of $150 million. The largest export items included cameras and unexposed film in rolls and flat. Only about 7% of the export trade went to the United States, chiefly unexposed films in rolls and flat. Britain's chief customers for photographic products were the Netherlands, France, Sweden, Denmark, Canada and Australia.

Part of this export rise stems from the sterling devaluation in 1967 which made British goods more attractively priced in the world market. Exports are expected to continue to do well in 1970.

Imports of photographic goods into the United Kingdom also increased in 1969, amounting to $95 million compared to $85 million in 1968. The largest import increases occurred in photographic cameras, laboratory photographic equipment, and sensitized film and paper. The United States share of this market was about $35 million, or about 38% of total 1969 British imports.

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REPORT TO CONGRESS

DISC proposal is detailed

Treasury Department official explains new tax deferral plan for U.S. companies in export

By JOHN S. NOLAN

Acting Assistant Secretary for Tax Policy, U.S. Department of the Treasury

We have made our Domestic International Sales Corporation (DISC) recommendation because the U.S. tax system presently results in an income tax disadvantage to U.S. export sales as compared to foreign production of subsidiaries of U.S. companies, or of foreign-owned companies.

At a time when the U.S. is making every effort to improve its balance of trade, this disadvantage should be removed. The DISC proposal provides for deferral of U.S. tax for a domestic corporation engaged in export sales similar to that presently provided for foreign manufacturing subsidiaries of U.S. companies.

This recommendation for providing greater equity in the U.S. tax treatment of export income to the extent it constitutes foreign source income is sufficiently related to the foreign trade position of the United States that it deserves your consideration at the present time.

While income tax factors are important, we recognize that economic factors often tend to favor local production in or near the market in which the products are being sold.

Over the last 20 years we have witnessed a constantly increasing degree of manufacturing abroad by U.S. companies. In many cases, for a variety of political and economic reasons, such local production may be the only means of competing effectively in certain markets. U.S. tax policy can and should, at best, have only a limited effect on such decisions. On the other hand, the U.S. tax laws themselves have treated export sales much less favorably than foreign manufacture and thus have compounded the emphasis on foreign production. This inequity in our tax laws can and should be remedied.

We should compare U.S. tax rules with those of many of the developed countries of the world which base their tax jurisdiction on territorial concepts and defer their tax on export income or exempt such income from tax, to a greater or lesser extent. In addition, many countries have special tax rules which effectively promote export activity such as extraordinary reserve allowances on export sales and greatly accelerated depreciation of export assets. In contrast, the United States taxes *currently* and, with the exception of the Western Hemisphere Trade Corporation concept, *fully*, the income from any export sale by a domestic corporation because the corporation is incorporated in the United States.

In 1962, legislation was enacted to tax currently United States shareholders on certain passive income (such as dividends, interest, and royalties) and on certain sales and services income earned by controlled foreign subsidiaries.

Two important exceptions were made. First, the Export Trade Corporation exception in section 970 of the Internal Revenue Code provides specifically for limited deferral of income earned by a foreign corporation selling U.S. export production. In retrospect, it seems strange that such deferral should be available only to a *foreign* corporation and not where export sales are made directly by a U.S. corporation. Second, section 963 allows in effect full U.S. tax deferral of low-taxed income of a foreign sales company where pursuant to a so-called "minimum distribution" election such income is averaged with higher taxed income from foreign manufacturing activities of the same controlled group if the average effective foreign tax rate reaches 90% of the U.S. tax rate. In a real sense, the only U.S. exporters who benefit from such deferral are those who also have substantial investments in foreign manufacturing facilities and thus can achieve this complex averaging effect.

In view of these limitations on deferral, the only way most U.S. manufacturers are able to obtain the benefits of full deferral of the U.S. tax is to form a foreign corporation to manufacture abroad. The income from the sale of goods manufactured by foreign corporations owned by U.S. shareholders is not taxed by the United States until such income is distributed to the shareholders (or the stock of the subsidiary is sold). Until distribution (or the sale of the stock), the only applicable income taxes are foreign taxes, and these may be imposed at a level below the U.S. level or may be completely waived, especially on exports.

This article presents an explanation of the Treasury Department's Domestic International Sales Corporation proposal, as given by Mr. Nolan to the House Ways and Means Committee.

This existing U.S. tax treatment of foreign source income inherently involves a bias in favor of our largest corporations. Through their extensive foreign structures, they are frequently able to use the foreign tax credit, either with or without minimum distribution elections, to reduce their U.S. tax liability on export earnings. To the extent this is being achieved under present law, the tax deferral effect of the DISC proposal would not involve a revenue loss through a postponed receipt.

We do not have adequate data at this time to determine the extent to which the foreign tax credit presently serves to shield export income from U.S. tax, but we believe it to be significant. The more important point, however, is that the DISC would work more in favor of companies without existing large foreign structures and extensive foreign tax credits.

Accordingly, the DISC will provide equivalent opportunities for tax deferral for foreign source income, to the extent this income arises from export sales, for smaller corporations and for corporations newly entering the export market or expanding their export sales. This additional equity of tax treatment as between our largest corporations and U.S. business in general is an important feature of the Administration's proposal.

Some would say that the remedy to the inequities we describe is simply to remove the deferral on all foreign earnings of U.S.-controlled businesses and tax it currently. Such a response clearly acknowledges the inequities we describe. It also overlooks some critical facts.

The foreign-owned competitors of U.S. businesses in the world markets are generally not subject to such an all-embracing concept of taxation by their home countries. To the contrary, the territoriality principle of the tax systems of the majority of industrialized countries exempts foreign source earnings, so that their companies operating abroad are able to enjoy the full advantage of tax holidays and reduced corporate rates, whether directly or

through greatly accelerated depreciation allowances or other special tax allowances or inducements.

Our studies show that the average effective foreign tax rates are generally below our U.S. effective corporate rate. For 1964, the effective foreign tax rate on all foreign subsidiary operations of U.S. businesses was approximately 38.6%. Our U.S. companies presently achieve deferral on the difference between the foreign tax level and the U.S. tax level with respect to the earnings of their foreign subsidiaries, and thus pay no more tax on a current basis than their competitors. However, virtually every foreign country imposes a withholding tax on dividends.

If the U.S. were to impose its taxes on the earnings of U.S.-controlled foreign subsidiaries on a current basis, these subsidiaries would surely remit their earnings in dividends to be certain of obtaining the foreign tax credit for the withholding taxes on dividends. Earnings needed in the businesses of the foreign subsidiaries would then be returned as capital contributions or loans.

These withholding taxes would largely offset the residual U.S. tax through the foreign tax credit. The net effect would be an increase in the current foreign taxes collected from U.S. businesses with little, if any, additional U.S. tax. Thus, the position of the U.S. businesses in the world market would be prejudiced.

We think it is not wise as a matter of sound national tax policy to affect adversely the competitive position of our companies by neutralizing their opportunities to benefit from lower levels of foreign tax in countries in which they have substantial operations and which are enjoyed by their competitors.

This, of course, would be precisely the effect of extending our own corporate tax to all foreign source income of U.S. businesses. The existing structure provides for deferral of the U.S. tax until dividends are paid. The payment of such dividends reflects the fact that the foreign earnings are no longer needed in the foreign operations. This is a sound system and is equally sound for export earnings.

Thus, the basic purpose of the DISC proposal is to remove inequities in our present system in the tax treatment of export earnings. I will now outline the main features of the proposal.

Basic provisions

The Internal Revenue Code would be amended to provide for a new category of domestic corporation to be known as a Domestic International Sales Corporation (a "DISC"). The U.S. tax on the export income derived through such a corporation would be deferred as long as it is either used in the corporation's export business, is invested in "export related assets" of the DISC, or is invested in "Eximbank paper," and thus is not distributed to the DISC's shareholders.

"Export related assets" would include loans to manufacturers, including the DISC's U.S. parent company where the DISC is a subsidiary, to finance investments in U.S. plant, equipment and machinery, inventory, and research and development to the extent these investments are deemed export related. The manufacturer's total invesments for any of these purposes would be treated as export related in the same ratio as the manufacturer's sales destined for export bear to total sales.

In order to qualify as a DISC, a corporation would be required to confine its activities almost entirely to export selling and certain related activities. A DISC could have foreign sales branches and its own foreign sales subsidiaries where such branches and subsidiaries are engaged in the sale of U.S. exports. The DISC could not engage in manufacturing or invest in or finance foreign manufacturing activities except to a very limited degree in direct support of its U.S. export sales activities.

A DISC could sell the products of any domestic manufacturer (purchased from, or sold on behalf of, the manufacturer or another DISC) and could sell them to any foreign purchaser for a foreign destination, whether or not related. While foreign permanent establishments of U.S. persons would be treated as foreign purchasers, this rule would not apply to sales to the U.S. Government for foreign use. The relationship of the DISC proposal to trade effected under the Canadian Auto Agreement is being examined.

Athough some complexity will be inherent in defining an entity entitled to the tax status of a DISC, we intend to simplify tax concepts applicable ot export activity to the maximum degree possible. For example, a destination test for export sales would be substituted to reduce the complexities of the present passage of title test.

Qualification as a DISC

In order to qualify as a DISC, a domestic corporation would be required to meet a gross receipts test and an assets test. It would also be required to distribute currently interest received on investments in "export related assets." To achieve recognition as a DISC, the only requirements would be an equity capital investment of $2,500 or more, a ratio of indebtedness to related companies not in excess of five times the equity capital, and an appropriate election.

To meet the gross receipts test, at least 95% of the DISC's receipts would be required to be received from export sales activities and from investments in "export related assets" and Eximbank paper. In order to meet the assets test, 95% of the DISC's assets would be required to be used in its export business or be in the form of "export related assets" or "Eximbank paper." To prevent inadvertent disqualifications under either of these tests, we will provide that if any income derived from non-qualified receipts or any non-qualified assets are timely distributed by a DISC, such receipts or assets will not be taken into account for purposes of the 95% gross receipts and the 95% assets tests.

The following would be treated as giving rise to qualified gross receipts:

- ► Export sales of goods manufactured, produced, grown or extracted in the United States by persons other than the DISC and sold by the DISC either on a purchase and resale basis or as a commission agent;
- ► The leasing or rental of U.S. export property;
- ► The performance of services by the DISC ancillary to its sales or leases;
- ► Interest on credit extended to export customers in accordance with normal commercial practice;
- ► Interest on obligations issued, guaranteed or insured by the Export-Import Bank and certain similar paper (see below);
- ► Interest and dividends from foreign sales subsidiaries engaged in marketing U.S. exports, including foreign packaging and limited assembly operations;
- ► Interest and dividends from limited investments in unrelated foreign corporations made in furtherance of export sales. such as a loan to a foreign distributor;
- ► Interest on investments in "export related assets," including loans to U.S. manufacturers, whether or not related to the DISC, to finance investments related to export production (see below);
- ► Gains on the sale of assets used to produce export receipts;
- ► Interest on deposits in the U.S. with persons carrying on the banking business provided the deposits are temporary—that is, any deposits as of the last day of the taxable year (other than working capital used in the export business), must be invested in other qualified assets within the time prescribed for the filing of the DISC's return for such taxable year; and
- ► Other transactions and activities directly related to exporting of U.S. products as designated by the Treasury Department in regulations.

Qualified assets would include assets

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used by a DISC in its export business (that is, assets giving rise to export receipts), investments in "export related assets," temporary deposits in U.S. banks, and investments in "Eximbank paper." Among the assets which would in all events be treated as used by a DISC in its export business or as qualified assets are:

- ► Obligations of export customers received on sales in accordance with normal commercial practice;
- ► Other working capital used in its sales or commission business;
- ► Export property held for lease;
- ► Assets of foreign sales branches handling U.S. exports;
- ► Obligations issued, guaranteed, or insured by the Export-Import Bank and certain other similar paper (see below);
- ► Stock or securities in foreign sales subsidiaries engaged in marketing U.S. exports, including foreign packaging and limited assembly operations;
- ► Stock or securities in unrelated foreign corporations made in furtherance of an export sale or sales;
- ► Obligations representing loans to domestic producers to finance "export related assets" (see below);
- ► Temporary deposits in the United States with persons carrying on the banking business; and
- ► Other assets directly related to U.S. exporting as designated by the Treasury Department in regulations.

The third basic requirement for qualifications as a DISC is the distribution by the DISC as a dividend within nine months after the close of its taxable year of interest received on investments in "export related assets" (loans to manufacturers) and on temporary deposits in U.S. banks in excess of normal working capital requirements. The stockholders of the DISC receiving such dividends are subject to full corporate and individual income tax on the distribution.

Tax treatment of DISC income

So long as the domestic corporation continues to qualify as a DISC, U.S. tax would not be imposed on its current or retained export earnings, which would include dividends and interest from its qualified foreign subsidiaries. Upon a dividend distribution or the liquidation or sale of the shares of the DISC, its retained export earnings would be taxed to its shareholders as ordinary income. Thus, the net effect would be a deferral of the U.S. tax. The intercorporate dividends-received deduction would not be available since the DISC would not have been subject to tax and the tax is only to be deferred until distribution by the DISC.

Dividends of a DISC paid out of qualified income would be treated as foreign source income except to the extent such dividends are attributable to interest on investments in "export related assets" or on domestic bank deposits. With respect to any foreign income taxes paid by the DISC, a foreign tax credit would be available to the corporate shareholders to offset U.S. tax on foreign source dividends received from the DISC (or U.S. tax on liquidation or sale of the DISC); it could also serve, subject to the limitations in section 904 of the Code, to offset U.S. tax on other foreign source income. This would approximate the tax treatment of accumulated earnings and profits of foreign subsidiaries under present law and the present treatment for exports where passage of title is arranged to occur outside of the United States.

Limitation on DISC profits

We propose that limitations be established on the profits which could be earned by a DISC in cases where it is purchasing from, or acting as a commission agent for, a related manufacturer. Such limitations would be specified in regulations pursuant to statutory authority.

The regulations would provide that the income of the DISC (computed under normal tax accounting rules) would be subject to being allocated to the related manufacturer if it exceeds the income computed under both of two alternative formulas. As long as the income of the DISC does not exceed the amount determined under the formula which gives the higher amount, no allocation would be made and the income could be deferred. The formulas would be:

A. The DISC could not realize income in excess of 4% of its sales plus 10% of the "export promotion expenses" incurred by it; and

B. The DISC could not realize more than 50% of the combined taxable income from the manufacture in the United States and the export sale by the DISC, plus 10% of the export promotion expenses incurred by the DISC. For this purpose, the taxable income generated by sales of the DISC would be determined by deducting from sales the cost of goods sold determined on the same basis as that charged by the manufacturer on uncontrolled sales (inventory cost). Other deductions (except certain nonoperating deductions) such as selling expenses, general and administrative expenses, research and development and interest expenses, would be allocated between sales by the DISC and sales by the manufacturer on the basis of net sales from each of these sources or, where certain markets are primary and other markets are secondary, on an appropriate basis to be specified in the regulations.

In addition to these formulas, the income of the DISC would not be allocated to the related U.S. manufacturing company if it is in accord with the intercompany pricing rules set forth in the existing regulations under Section 482 of the Internal Revenue Code.

Allocation rules along the foregoing lines would be analogous to those applied by a number of countries, generally on an informal basis, in the determination of their tax liability on exports. Their primary advantage would be in providing a greater degree of specificity and definitiveness in limiting the profit which may be realized by the DISC vis-a-vis its related U.S. manufacturer.

'Export related assets' investments

A DISC would be permitted to invest its accumulated export income in "export related assets". Such investments would be in the form of loans to domestic manufacturers, whether or not related, to finance the manufacturer's export related assets. The amount of export related assets of a manufacturer would be that proportion of the manufacturer's investment in production and supporting facilities which is the same as the proportion of the manufacturer's export sales and sales to DISC's to its total sales. Thus, if the manufacturer's export and DISC sales represented 20% of its total sales and its production and supporting facilities equaled $20 million. the authorized borrowing would be $4 million.

It is contemplated that when a DISC makes such loans to an unrelated borrower, such borrower would provide the DISC with a certification that the borrower has not and will not exceed its authorized borrowing for the year.

The production and supporting facilities of a manufacturer which would qualify for this purpose would include:

- ► Existing plant, equipment, machinery and supporting production facilities (including those for storage, transportation and administration) valued at their adjusted basis after depreciation (reduced by outstanding DISC loans previously made with respect to such assets);
- ► Investment in new plant, equipment and machinery and other new supporting production facilities;
- ► Inventory (reduced by outstanding DISC loans previously made with respect to inventory); and
- ► Research and development expenditures (whether or not capitalized) incurred during the year.

It is not contemplated that there will be

any tracing of loans to specific manufacturing facilities or equipment actually used in production for export.

All loans would be interest bearing, resulting in an interest deduction to the borrower. The section 482 safe haven rules will be applicable: presently the interest charged must be a minimum of 4% and maximum of 6%, although the rate may be higher if an arm's length rate would be higher.

The term of any loan need not be less than 10 years. Loans related to investment in research and development and inventory would be for 10 years. To the extent that loans relate to investments in fixed assets, the term may be longer based on the weighted average useful life for depreciation purposes for such assets, with an outside limit for any asset (including land) of 30 years. At maturity, any loan could be renewed, or the principal loaned to another borrower, provided always that there is compliance with the rules previously described.

Qualified loans would remain qualified throughout their term regardless of any decreases in export sales. They would not be treated as constructive dividends.

Acquisition of Exim paper

As stated above, qualified export income would include interest on credit extended to export customers in accordance with normal commercial practice and interest on obligations issued, guaranteed, or insured by the Export-Import Bank and certain similar paper. Such debt obligations would also constitute qualified export assets.

In cases where the DISC acts as a commission agent for an export manufacturer, the obligations acquired by the manufacturer in connection with the extension of credit to export customers in accordance with normal commercial practice could be acquired by the DISC.

It would be provided that the following types of Export-Import Bank obligations and similar paper would give rise to qualified export income and constitute qualified export assets:

► Obligations issued by the Export-Import Bank;

► Obligations guaranteed or insured by the Export-Import Bank in cases where the DISC purchases the obligations from the Export-Import Bank or from the exporter;

► Obligations insured by the Foreign Credit Insurance Association in cases where the DISC purchases the obligations from the exporter;

► Obligations issued by certain domestic corporations organized solely for the purpose of financing U.S. exports pursuant to an agreement with the Export-Import Bank whereby such corporations make export loans guaranteed by the Export-Import Bank.

Deficiency distributions

In order to prevent inadvertent disqualification of a DISC, a deficiency dividend procedure would permit continued qualification of the DISC. Deficiency distributions could be made at two stages where either the income or asset test had not been met or interest on investments in export related assets or temporary bank deposits (referred to as "distributable interest") had not been distributed:

Current Deficiency Distributions. Where the DISC during the taxable year had at least 70% of its gross receipts in the form of qualified receipts, a distribution of the income derived from non-qualified gross receipts could be made at any time after the close of the DISC's taxable year and prior to the time for filing the DISC's annual return. Similarly, any non-qualified asset could be distributed, or such asset could be liquidated with the proceeds being distributed or invested in qualified asset, within such period. A distribution of "distributable interest" could be made within such period without regard to the 70% test.

Delayed Deficiency Distributions. A distribution of "distributable interest" or non-qualified income or a non-qualified asset (or a distribution from the proceeds of such an asset) could be made at any time with respect to any year as to which the period for assessment of additional taxes had not expired provided that the existence of such income or asset and the failure to distribute it within the return filing period was due to reasonable cause.

A delayed deficiency distribution would be required to consist of the distributable interest or non-qualified income (or asset or proceeds therefrom) plus an annual interest charge to compensate for the deferral of tax on the income from the return filing date.

Disqualification, liquidation

Upon liquidation of a DISC or upon its disqualification (where the deficiency dividend procedures are not used), DISC status would terminate and the earnings and profits of the DISC on which U.S. taxes had been deferred would be deemed to be distributed to the shareholders. Each shareholder would be taxed as if he had received his pro rata portion of such income in equal installments in the year in which such liquidation or disqualification occurs and in each of the succeeding nine years; except that if the DISC has not been qualified as such for at least ten years, the period of distribution will be deemed to be the number of years the DISC was in existence prior to the commencement of the liquidation or the disqualification.

Upon the sale of stock in a DISC, the gain realized will be taxed at ordinary income rates to the extent of the accumulated earnings and profits after the date of the DISC election. The foreign tax credit would be available similar to its application under section 1248 of the Internal Revenue Code.

Reorganization, existing operations

It is contemplated that in general tax-free reorganizations would be permitted to place existing foreign operations in a DISC or to put existing foreign sales subsidiaries under its ownership.

Financial accounting

We understand that the Accounting Principles Board of the American Institute of Certified Public Accountants has recently reviewed the question of the proper accounting treatment with respect to the deferred tax liability on the profits of a DISC. We understand that they have concluded that the DISC could be treated in the same manner as a foreign subsidiary—that is, under current practice there is no requirement that the deferred tax liability be accrued currently on the income, so that the U.S. tax liability would be reflected as a cost at the time dividends are paid, just as it would be imposed under our DISC proposal.

Views on DISC

In a May 4 press release the House Ways and Means Committee indicated that requests to be heard at the current trade hearings would be accepted through May 14. However, written statements will be accepted for consideration for inclusion in the printed record of the hearing if submitted by May 29 and will be given the same full consideration as though the statements had been presented in person.

A minimum of three copies of written statements must be furnished, and the statements should contain 1) a summary of comments and recommendations; and 2) subject headings in the appropriate places of the statements themselves.

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Expanding fluid power systems market in Japan creates new opportunities for U.S. suppliers

Autumn Trade Center show to penetrate $506 million market for hydraulic, pneumatic, fluid devices; 170% rise in five years

Continued rapid growth of the Japanese market for fluid power systems is expanding export sales opportunities for U.S. makers of hydraulic, pneumatic, and fluidic equipment.

To help American manufacturers enter or increase their share of this growing market, the U.S. Department of Commerce will sponsor a show of fluid power systems, accessories, and controls in the U.S. Trade Center in Tokyo, Nov. 9-14.

Market research conducted for the Commerce Department's Bureau of International Commerce reveals the Japanese market for this equipment grew from $187.9 million five years ago to $506 million in 1970. Although Japanese production of fluid power equipment during the same period increased slightly over 170%, the study discloses that imports increased from $4.2 million in 1966 to $17.5 million in 1970, or 300%.

This year, consumption of hydraulic, pneumatic and fluidic equipment in Japan is expected to surpass $504 million, the report estimates, with imports accounting for over $17 million of this amount. In 1971, the market will rise by another 35%, and imports will increase to $33 million.

The biggest part of the 1971 import increase is expected from purchases of fluidic power equipment, which are estimated at $6.9 million this year and $20.8 million next year. Imports in 1969 were nearly $3 million compared with less than $300,000 in 1966.

The market research by Commerce shows particularly good market potential for fluid power rotary actuators. Consumption has been expanding from 30 to 40% annually.

The study also predicts the market share for U.S. gear type fluid power motors at 15% and forecasts a 30% share of the market in two or three years for U.S. produced fluid power valves, directional control.

Other categories considered to be highly marketable, according to the report, include fluidic components, fluidic equipment and systems, fluid power boosters, super-precision servo-valves, pneumatic cylinders, and large and extremely small pneumatic valves.

U.S. exhibitors in the Tokyo Trade Center show will benefit from a vigorous market promotion campaign covering all segments of industry and government. This will include contacting key buyers, importing agents, engineers, distributors, and government officials as part of the effort to attract the largest possible audience.

American manufacturers of hydraulic, pneumatic and fluidic equipment have successfully participated in two previous Commerce exhibitions in Tokyo. Thirty-three U.S. firms that took part in the 1967 International Hydraulics and Machine Fair in Tokyo reported $341,000 in immediate sales and almost $1.9 million in follow-up sales in a year.

Thirty-nine American companies that exhibited advanced industrial valves, filters, pumps and compressors at the U.S. Trade Center in Tokyo in May 1968, reported immediate sales of $52,000 and first-year sales of $3.5 million.

U.S. firms interested in displaying their products in the fluid power systems equipment exhibition at the U.S.-Tokyo Trade Center Nov. 9-14, may obtain further information from the U.S. Department of Commerce, BIC-936, Washington, D.C. 20230 (202-967-4705) or from any Commerce Field Office.

Berlin will host exhibition of radio, TV developments

American manufacturers of radio and television equipment and broadcasting and telephone companies are invited to enter the International Radio Exhibition on the show grounds at the Radio Tower in Berlin, Aug. 27-Sept. 5, 1971.

Sponsored by the German Government, the fair will feature the latest technical developments in radio, TV and related fields.

For details, contact: Berliner Ausstellungen, Messedamm 22, 1 Berlin 19.

WATER PUMPS were among the advanced industrial equipment displayed at the Tokyo-U.S. Trade Center show in May 1968. Jets of water attract the attention of two Japanese guests and David L. Osborn, Deputy Chief of Mission at the U.S. Embassy in Tokyo. The show returned $3.5 million in first year sales.

U.S. heat measurement control equipment will be shown in Scandinavian exhibition

Nordic market relies heavily on imports; U.S. supplies $6 million share of Danish demands for heat control devices and instrumentation

The Scandinavian market for temperature measurement and control equipment, in which American firms are already major suppliers, is expected to expand substantially during the next several years and to continue to rely heavily on imports.

To assist U.S. manufacturers in selling their advanced products in the four Nordic countries, the U.S. Commerce Department's Bureau of International Commerce will stage an exhibition of industrial and scientific temperature measurement and control equipment, instrumentation, systems and components at the U.S. Trade Center for Scandinavia in Stockholm, Nov. 16-21.

The major buyers of this equipment in Scandinavia include laboratories, basic metals, pulp and paper, chemical, ceramics and glass, food processing, rubber and leather, and mining industries.

The annual Swedish outlay for heat measurement and control equipment is estimated between $8 and $9 million—half of it American if sales by overseas subsidiaries are included—while that for industrial furnaces, ovens and heat treating and drying equipment is estimated at $30 million.

Denmark imports about $6 million worth of heat control equipment and instrumentation from the United States annually, and buyers expect to step up purchases at the rate of 15% a year.

Annual purchases of heat measurement and control instruments by Norway, currently over $4 million, have also been increasing by about 15% a year.

Finland's annual market for heat measurement equipment amounts to about $3 million, and is largely supplied by imports.

Commerce market studies identify the following products as having the highest sales potential in Scandinavia:

Sensors and transducers—precision-radiation and recording thermometers; optical and other direct-reading pyrometers; remote control pyrometer systems; infrared temperature systems; heat-transfer gages; high-temperature enthalpy probes; microsecond-response-time thermocouples; thermocouple reference junctions; compensators; remote control thermocouples; thermocouple signal amplifiers; thermowells; surface temperature sensors; heat flux transducers; and resistance temperature transducers.

Process control instruments—temperature-actuated switches, thermistors, portable potentiometers, pyrometer recorders, temperature recorders, differential thermal analyzers, thermogravimetric analyzers, thermal dilatometric analyzers, differential scanning and other calorimeters, thermobalances, recorder-controller with programmer, electronic indicating controllers, thermal conductivity instruments.

Furnaces, ovens, and heaters—electric tube furnaces, plasma arc generator, X-ray diffractometer furnace, electric salt bath furnace, induction heat treating furnace, electric arc melting furnace, electric vacuum furnace, gas-fired annealing furnaces, box atmosphere radiant tube furnaces.

Process control computers—digital thermocouple indicator, direct digital controls.

Other—analog computers, other research instruments.

A major market development campaign to attract buyers, trade leaders, and potential agents and distributors to the Stockholm exhibition will be conducted.

Participants at previous Commerce-sponsored overseas exhibitions of related equipment have had successful results. Following a November 1968 exhibition of industrial computers and process controls at the U.S. Trade Center in Milan, 51 companies made 12-month sales totalling $1.3 million. In May 1969, at the U.S.-Tokyo Trade Center, 37 exhibitors sold $697,000 worth of analytical and laboratory equipment off the floor and estimated that 12-month sales would total $4.2 million.

U.S. manufacturers of heat measurement and control equipment interested in the Commerce Department exhibition at the U.S. Trade Center in Stockholm, Nov. 16-21, may obtain an Exhibitors Export Market Guide, IMIS 70-25, and further information from the U.S. Department of Commerce, BIC-946, Washington, D.C. 20230 (202-967-4421) or from any Commerce Field Office.

Symposium in Sydney will feature U.S., Australian data communications experts

Top American and Australian experts on data communications and graphics will contribute their time and talent to a symposium that will accompany the first exhibition at the new U.S. Trade Center in Sydney, Australia, starting June 29.

Walter J. Kosinski, a private consultant in computer design and computer use and Chairman of the ACM Special Interest Group on Communications (SIGCOM), will be symposium chairman, and also will lead a discussion on data communications computer processor design.

Kosinski and Edward P. Devine, chairman of the ACM Special Interest Group for Graphics (SIGGRAPH), are coordinating the symposium, which will include workshops in systems analysis, graphics and data communications. Devine is Chief, Aeronautical Information Branch, Office of Aeronautical Charting & Cartography, Environmental Science Services Administration/Coast & Geodetic Survey.

A number of other Australian and American authorities on data communications and graphics are expected to participate in the symposium. The audience will be limited to 200 to permit effective author/audience interaction.

Details on two Novi Sad fairs in 1970 announced

Two fairs are being planned for Novi Sad, Yugoslavia: the International Fair of Hunting, Fishing and Sports Equipment, June 13-21, and the Seventh Fair of Fruit, Vegetables and Processed Products, Sept. 26-Oct. 4, 1970.

The hunting, fishing and sporting equipment event will include several meetings and symposia in addition to instructional exhibits on hunting and fishing. Equipment will range from trophies and equipment for the construction of sporting facilities, to rods and reels and skindiving equipment.

The autumn foods fair will feature packaging materials, machines and equipment for fruit, vegetable and wine-grape-growing, processed and fresh fruits and vegetables, chemicals, and seedlings, flowers and shrubs. The deadline for entering an application for the fall fair has been announced as August 1.

Information on both events is available from: Novosadski Sajam, Novi Sad, Hajduk Veljkova 11.

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CURRENT BUSINESS DEVELOPMENTS IN BRIEF: American Standard and **Italy's** Finanziaria Ernesto Breda are creating Breda Standard, which will manufacture airconditioning equipment in Bari. . . . Harris-Intertype Corp. of Cleveland plans to spend $3.5 million for construction of a new plant at Borgomanero, north of Milan, **Italy,** for the manufacture of offset presses and other printing equipment. . . . **French** official reserves of gold and foreign exchange rose by $70.6 million during April, bringing total French reserves to $4,031.6 million; $3,543.9 million was held in gold and $487.7 million in foreign currencies. . . . The York Division of Borg Warner Corp. and Brown Boveri, A.G., of Mannheim, **Germany,** have formed joint manufacturing and marketing companies for commercial and industrial refrigeration and air-conditioning. The new companies, Brown Boveri-York Produktions und Export, G.m.b.H. and Brown Boveri Kaelte und Klima G.m.b.H., hope to become established as major suppliers of refrigeration and air-conditioning equipment in the Federal Republic. . . . Preussag A.G. of Hannover, **Germany,** a partly state-owned concern with interests in coal, oil, gas and chemicals, and the Kaiser Aluminum Co. have combined their European aluminum producing activities in a joint company, Kaiser-Preussag Aluminum A.G., in Duesseldorf. The new company controls all Kaiser's plants in Germany, Switzerland, Italy and Belgium. When fully integrated the company's turnover is expected to reach about $820 million.

Indonesia curbs inflation

Major international assistance expected to help sustain economic recovery

Inflationary forces in the Indonesian economy have been held under control for more than a year, according to the Economic Trends Report from the U.S. Embassy in Djakarta.

The Djakarta retail price index, heavily influenced by rice price movements, rose only 10% in 1969, compared with an increase of 85% in 1968. In terms of gold, the rupiah has appreciated 8% since the beginning of 1970. The BE exchange rate and the higher rates governing DP and other free foreign exchange have been virtually stable for a year.

While trade and exchange reforms made on April 17 resulted in an overall depreciation of the rupiah, stability will be facilitated over the longer run through these reforms, including the merger of the BE and DP markets (see INTERNATIONAL COMMERCE, May 4, for details of recent reforms).

Stability has depended on many factors. Foreign program aid and bank loans have provided substantial amounts of rice and foreign exchange. Exports increased in 1969, thanks largely to increased oil and timber output and high rubber prices. Selective credit restrictions have been maintained. Over 34 billion rupiah flowed into time deposits from October 1968 through December 1969 and have remained there in the face of a substantial reduction in interest rates. Despite these decreasing rewards, the Indonesian public continues to be willing to hold money rather than spend it. This practice has absorbed and relieved much of the inflationary potential of continued monetary expansion.

Inflation has nevertheless not been entirely extinguished. In January Djakarta retail prices rose 7% following an increase in the administered prices of petroleum products (on termination of Government subsidy of these goods) and market prices of rice. The price line has been held since as a result of large-scale injections of rice by Badan Urusuan Logistik (BUL), the state rice distribution agency. The supplies that made this possible, however, could not be obtained entirely from aid donors or from domestic production, which was handicapped in 1969 by poor weather and by unexpectedly low collections from areas where 'miracle rice' technology is being introduced. Accordingly, rice imports of about 800,000 tons were about 25% greater than in 1968.

Assistance under consideration

A major multilateral financing effort is under way for 1970. The International Monetary Fund (IMF) is currently negotiating an agreement with the Indonesian Government—for the third successive year—to provide standby balance-of-payments assistance. In April, Paris Club representatives agreed to allow rescheduling of installment payments due on most of Indonesia's pre-mid-1966 obligations to Western and communist creditors.

The ten-nation Intergovernmental Group for Indonesia (IGGI) is considering Indonesia's request, made last December at Amsterdam, for $600 million in commitments on economic assistance for the period Jan. 1970-Mar. 1971. This is close to the commitment rate of last year, but a steep rise in disbursements is targeted, with project aid up 100% and program aid 40%.

Foreign private interests have also been active in financing Indonesia's short-term obligations. In mid-March a group of U.S., Japanese, British, and Australian banks loaned Indonesia $65 million to cover rice and fertilizer imports, although it may be used for other purposes as well. In the investment field, more than 200 foreign companies have signed contracts since the Indonesian Foreign Investment Law was enacted in January 1967. Oil, one of Indonesia's main foreign-exchange earners, has been the object of great capital inflow. In fiscal 1969-70, foreign oil companies, whose production from Indonesian wells rose nearly 30% during 1968-69, paid Indonesian taxes about six time as great as in 1967. On a gross basis, oil exports amounted to about $360 million in 1969 and have grown at a yearly average of 18% during the past three years. Extensive exploration projects have been started by more than 30 foreign oil companies.

Oil aside, foreign private capital has apparently been entering Indonesia at an accelerating rate during the past three years. Ten foreign banks have established branches in Djakarta. Fifteen airlines offer international service to Djakarta and Bali. That island is the main focus of considerable foreign interest in tourism.

In manufacturing, assembly of commercial motor vehicles and production of foods, other consumer goods, and pharmaceuticals are expected to result from agreements with foreign companies. The Indonesian Government has approved

mining contracts with eight foreign firms. If all the operations tentatively provided for in these contracts should actually be carried out, total investment in manufacturing and mining (other than oil) would be over $600 million.

Aid requirements increase

Official foreign capital is accorded a leading role in the Indonesian Five-Year Plan, which projects an average $550 million per year in foreign aid (excluding debt repayment); this represents 57% of planned investment funds for fiscal 1969-73.

Use of U.S. program aid has been facilitated by various measures taken by the Indonesian Government. Rupiah import credits covering PL-480 commodities are accorded the lowest interest rates at state banks. Substantial orders for U.S. trucks and buses under BE credits have recently been placed following extension of special rupiah credits to Indonesian importers. The Central Bank is also continuing its preferential financing arrangements for imports under U.S. and Australian BE credits.

Also, under the April 17 trade and exchange reforms, imports under program loans from foreign countries may now be financed at the preferential rate of Rp. 326 per U.S. dollar compared to the new single rate of Rp. 378 per U.S. dollar for all other transactions.

Indonesia is a potentially large market and supplier, but is limited by its shortage of foreign exchange and by the slow development of its export industries. Over one-third of Indonesia's imports from all sources in 1969 were aid-financed.

U.S. exports to Indonesia rose about 20% in 1969, reaching $201 million, according to U.S. data. As in 1968, aid financing predominated, covering $113 million of exported rice, cotton, wheat flour, and bulgur ($103 million in PL-480 credits, $10 million in PL-480 grants) and $23 million in BE credits. Commercially-financed exports to Indonesia, however, grew more rapidly (about 28%), reaching $64 million.

In 1968 the United States was Indonesia's largest supplier, followed by Japan. In 1969, however, Japan replaced the United States as Indonesia's most important supplier when Japan's exports to Indonesia rose by about 60%—to $236 million—according to Japanese trade data.

U.S. companies must keep in mind the necessity for patience and perseverance lest they be less successful than some of their foreign competitors in developing markets in Indonesia. U.S. companies which have devoted the required effort and imagination to expanding their volume of business in Indonesia have had satisfactory results. The competitive disadvantages of time and distance under which U.S. goods operate in Indonesia are clearly not decisive. They are compensated in part by a general entrepot in Djakarta which provides storage facilities for foreign merchandise outside of Indonesian customs—and is already being used by some U.S. firms.

A recent speed-up in the use of U.S. BE credits reflects in part a more intensive canvass of the needs of Indonesian buyers by U.S. companies. For non-aid imports, the Indonesian Government may incur a limited amount of medium- and short-term obligations under supplier credits. Some foreign exporters additionally extend credit by confining transactions to overseas banks.

U.S. imports from Indonesia in 1969 amounted to $194 million, about 11% more than in 1968. Oil and natural rubber, constituting about one-third of U.S. imports apiece, each rose about $12 million over 1968 levels. As in that year, the next ranking commodities in terms of value were coffee (which declined somewhat to $30 million), spices ($19 million), and tea ($5.5 million).

The prospects for U.S. imports from Indonesia are subject to the usual uncertainties this year in regard to movements of world prices (particularly of rubber). On the U.S. export side, however, the Indonesian Economic Development Plan provides clues. Indonesian imports are scheduled to grow 90% during 1969-73. Consumer goods are to fall from 40% of imports in 1968 to 10% in 1973/74, with food imports decreasing from $175 million for 1969/70 to $67 million in 1973/74. Imports of raw cotton and cotton yarn are expected to rise from $70 million this year to $120 million.

Capital-goods imports are projected to rise over 100%. These general categories include many products in which the United States is quite competitive, such as construction and mining machinery, agricultural equipment, diesel generators, aircraft, pharmaceuticals, paper products, tinplate, steel products, telecommunication equipment, office machines, and computers.

Private interest investment

U.S. business activity is greatest in the oil sector. Several offshore drilling programs began 2-3 years ago have resulted in oil strikes. Caltex oilfields in Central Sumatra produce over 80% of Indonesia's crude oil. Stanvac sold its refinery in South Sumatra in January but is continuing oil exploration and production. About 18 U.S. companies are involved as operators in the oil search.

In regard to forestry investment, in which yields are expected to be sizable and rapid, seven U.S. companies have already signed concessions. In mining, Freeport Sulfur has begun road construction in its $120-million West Irian copper project. Alcoa, Kennecott and a consor-

Indonesia's President visits U.S.

Indonesia's President Suharto, returning recent visits to his country by President Nixon, Vice President Agnew and Secretary of State Rogers, will discuss trade and other topics during his first visit to the United States this week.

He will arrive in Washington May 26 for a State visit which will include dinner with President Nixon, a luncheon with Vice President Agnew and an address to the National Press Club. On May 28 he will arrive in New York for a visit to the United Nations and an address to the Asia Society. The following day he will fly to Tennessee and inspect the Tennessee Valley Authority operations. The Indonesian leader will depart for the West Coast on May 30, for a few days of visiting and rest, and leave the United States on June 2.

SUHARTO

The 48-year-old head of state is a native of Central Java, and had been a career military man before being sworn in as President of the Republic of Indonesia on Mar. 27, 1968. His chief economic accomplishments to date have been the inauguration of a new Five Year Development Plan which aims for agricultural self-sufficiency and the creation of an adequate infrastructure which will be required for more advanced future plans; and the achievement of a breathing space for Indonesia's economy through control of inflation, rescheduling of foreign debt, and the encouragement of foreign investment in Indonesia.

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Market Profile—Indonesia

Natural resources: World's largest island state, 735,000 square miles in area (including West Irian), 64% forested. Rich mineral resources including petroleum, tin, bauxite, nickel, copper, low-grade coal, manganese.

Population: 118 million (end 1969); rate of growth (1961-69) 2.4% per annum. Bahasa Indonesia is official language; English is a second language, used in business circles.

Economy: GNP variously estimated at $10 billion to $12 billion and per capita GNP at $80 to $100. Agriculture (including forestry and fishing) contributed about 50% to GNP in 1968, manufacturing and construction 10%, and mining 4%. Agriculture provides 60% of foreign exchange earnings and has large growth potential. Major crops: rice, rubber, oil palm products, cassava, coffee, tea, copra, spices. Industrial plants mainly process agricultural and mineral products or produce light manufactures for domestic market.

Unit of currency: Rupiah. Single fluctuating exchange rate—currently Rp. 378 per U.S. dollar—applies to all transactions except for preferential rate for imports under foreign government program loans, currently Rp. 326 per U.S. dollar.

Imports (f.o.b.): $961 million in 1969; $831 million in 1968. Major suppliers: Japan (est. 25%), United States (est. 20%), West Germany, Singapore, United Kingdom. Major imports: cotton textiles, rice, fertilizer, chemicals, machinery, transportation equipment, iron and steel products.

Exports: $975 million in 1969; $872 million in 1968. Major customers: Japan, United States, Australia, West Germany, Malaysia and Singapore. Major exports: petroleum (over one-third of total value), rubber, tin ore, copra, coffee, palm oil, tea, tobacco.

Trade policy: Market forces largely determine import priorities. Exchange readily available to import wide range of commodities; high tariffs on less essential goods and certain items competitive with domestic industry.

Foreign investment: Favorable investment law of 1967, investment guaranty agreements (including United States), and tax incentives for mining have led to considerable investment interest. As of Mar. 31, 1970, 210 investment contracts (excluding oil) totaling $1,098 million had been approved under the 1967 law of which 36 valued at $323 million were U.S. As of Mar. 31, production-sharing contracts in petroleum (excluding work contracts under which Stanvac, Caltex, and Calasiatic currently operate) signed since 1966 totaled 33 valued at $371 million.

tium including U.S. Steel and Newmont Mining have also signed exploration/production contracts for bauxite, copper, nickel, and other minerals. If commercial development is ultimately decided in all cases, the minimum combined investment of the U.S. mining companies involved would total about $350 million.

Two U.S. companies, Goodyear and Uniroyal, have sizable rubber estates in Indonesia. They are pursuing ambitious rehabilitation and development programs. Goodyear is also working on a multi-million dollar expansion of its tire plant in Bogor. An ITT-built satellite-communications ground station started commercial operation last September. Branches of the Bank of America, Chase Manhattan, First National City, and American Express have been operating for slightly less than two years; the Continental Illinois National Bank of Chicago recently established an office in Djakarta. In all, more than 70 U.S. companies have established local offices.

U.S. private capital inflow, particularly in manufacturing ventures, will probably accelerate in 1970 and subsequent years. Much has already been accomplished in improving the investment climate, although more needs to be, and is being, done.

Almost all foreign owners of Indonesian assets nationalized during 1964-65 have repossessed their properties or reached settlements concerning them. More than 15 guarantees against noncommercial risk and one against commercial risk have been issued to U.S. companies under the Investment Guaranty Agreement signed by the U.S. and Indonesian Governments in January 1967. The Foreign Investment Law, passed that same month, authorized certain privileges for foreign investors; this law continues to be adjusted, and prospective investors should make careful current checks about applicable provisions.

While noting their desire to avoid foreign domination of the Indonesian economy, top Government officials have repeatedly stressed the value of foreign capital in providing a new impetus for the country's economic growth. The Indonesian Five-Year Plan projects a rapid increase in private capital inflow, which is to average $115 million per year and to provide 14% of total investment funds.

Last November, shrimping in Indonesian waters was declared off limits for new foreign companies not already approved for this activity, pending a survey of the welfare of shrimp beds and Indonesian shrimp fishermen.

Also, on April 1, West Java was declared closed to foreign investment in pharmaceutical ventures, extending the prohibition of the past year on new pharmaceutical plants in the Greater Djakarta area. This prohibition does not apply to industrial chemicals or cosmetics.

The exchange rate governing income-tax payments by foreigners was recently raised. But a tax reform bill now in Parliament offers reduction of the maximum marginal corporate tax rate from 60% down to 45%. The Government's generally sympathetic attitude, as well as Indonesia's continued economic stability and its impressive development potential, clearly contribute to Indonesia's attractiveness to the U.S. investor.

Plan gets off ground

It is axiomatic that the first year of any five-year plan, particularly one based on insufficient statistics, rarely lives up to expectations. Indonesian aggregate domestic output (GDP) is tentatively estimated to have grown only a little faster than population growth (estimated 2.5-3% per year). Capital-goods imports in 1969 were about $50 million below expectations for fiscal 1969/70; project aid and foreign private investment for 1969 were 25-30% short of advance estimates and about 50% below targets. Harbors, shipping, telephone and telegraph communications, schools, housing and public health in particular need rehabilitation. Production is still stagnant in certain sectors. With continued deterioration of much plantation and small-holder capital, exports of copra, tobacco, tea, pepper (cyclical production drop), and palm products declined last year. Most other cash crops have not yet achieved the output records of several decades ago.

Many borrowers and lenders have probably not had time to gain confidence that economic stability will continue; nor have they yet learned to take a long-term view in regard to risk-taking, profit, and in-

Approved foreign investment in Indonesia (excluding oil) 1-1-67/3-31-70

(millions of $)

Industries	Contracts	$
Manufacturing—total	127	193
Pharmaceuticals, cosmetics	19	22
Food processing, beverages	15	15
Metalworking	10	11
Remilling, crumb rubber processing	7	4
Containers	6	4
Tobacco processing	4	7
Animal food processing	4	2
Textiles	9	52
Electrical goods	8	12
Misc. manufacturing	45	64
Forestry	36	361
Fisheries	6	10
Mining (excluding oil)	8	465
Hotels, tourism, real estate	7	12
Agriculture, housing	8	36
Recreation, amusement	4	6
Air transport	5	3
Miscellaneous	9	12

Countries	Contracts	$
United States	36	323
Japan	32	137
Hong Kong	29	35
Singapore	16	25
Netherlands	12	21
West Germany	13	10
Philippines	11	259
Malaysia	12	20
United Kingdom	7	8
Australia	7	3
France	5	14
Belgium	4	6
Thailand	5	6
Canada	3	79
Norway	3	6
Switzerland	5	3
Other countries	10	143
Total approved contracts	**210**	**$1,098**

Source: Government of Indonesia, Foreign Investment Board.

vestment. In Indonesia, as in other developing countries, considerable time will probably be needed to translate intensified efforts into dramatic results noticeable to the man in the street.

The development program begun a year ago has nevertheless made important progress. Road rehabilitation has started and most of the main highways in Java and parts of Sumatra have been improved. Feasibility studies are under way on major power, telecommunications, and fertilizer production projects. Construction, up an estimated 26% in 1968, continues to revive. Oil, timber, and textile production have been leading growth industries and have favorable prospects in 1970-71.

Most important, there is indication that investment continued to accelerate in 1969 following an estimated 40% rise in 1968. Though short of ambitious plans, public investment grew about 65% last year, capital-goods imports virtually doubled, and project aid and foreign private investment rose steeply. Financing has been more than adequate.

Considerable development funds are also included in the draft budget for 1970-71 presented to Parliament last January. Foreign disbursements of project and program aid, respectively, will probably rise substantially in the coming fiscal year, if not as much as the ambitious 50% and 15% increases budgeted. Increases in indirect taxes, led by the sizable January rise in administered oil-product prices, are expected to push domestic government revenue up about 40%, raising the routine budget surplus available for development spending. Investment is also expected to rise in the private sector, as the many projects already approved are implemented.

Policy mix: 'Fine Tuning'

Stabilization is still a major policy concern of the Indonesian Government. Short-term (three-month) bills began being issued by the Central Bank starting on Apr. 1, to provide commercial banks with a relatively liquid earning asset. The bills may count as part of a bank's cash reserve requirements with the Central Bank. In January, for the third time in a year, various tariff rates were somewhat reduced as an anti-inflationary and anti-smuggling measure.

Most important, the Government has taken steps to secure substantial sugar and rice supplies well in advance of expected need. Efforts have been made to prevent a recurrence of the outflow of foreign exchange that resulted from the requirements of price stabilization and from shortfalls in domestic rice production. The Government has announced a rice-price stabilization policy: through appropriate purchases or sales of rice in the market, BUL is to maintain specified floor and ceiling prices sufficient to sustain producers' incentives and limit urban price rises.

Foreign exchange considerations have not been permitted to set back development programs. Highest priority is still given to rice intensification, which involves introduction of better seed, fertilizer, and insecticide on easy credit. The Government has not reinstated the requirement to prepay import duties, and Bank of Indonesia has maintained preferential interest rates for exports, certain essential imports, and production of priority goods (such as crumb rubber). The Central Bank has also reduced interest rates at state commercial banks as part of its general expansionary policies.

Other basic economic/social problems are also receiving attention. Though organizational and communications requirements are enormous and results will not be effective for some time to come, the Government's family-planning program has been started and has made progress in some areas. Ways and means of simplifying and rationalizing foreign-exchange administration are being considered. Exporters have voiced complaints over continuation of export taxes and other levies. Studies are continuing on tax and tariff reform: major objectives are revaluation of corporate assets and a further improvement in tax collections that would permit an increase in the share of direct taxes in budgetary revenue.

U.S. trade with Indonesia

(millions of $)

	1968	1969
U.S. domestic exports		
Total	167.0	200.5
Major items:		
Cotton yarn	—	22.7
Rice	53.0	57.9
Raw cotton	17.5	15.3
Bulgar wheat	11.7	4.7
Wheat flour	8.9	14.0
Machinery	33.0	31.0
(Construction and mining)	(5.9)	(4.8)
(Power generating, less electric)	(5.7)	(5.6)
(Electric power, switchgear, parts)	(4.0)	(2.6)
(Pumps, centrifuges, parts)	(3.6)	(4.4)
(Telecommunications)	(3.8)	(1.8)
Transport equipment	10.4	23.7
(Passenger cars, trucks)	(5.8)	(8.0)
(Motor vehicle, tractor parts)	(2.6)	(2.7)
(Aircraft, spacecraft, parts)	(1.8)	(13.0)
Manufactured fertilizers	8.1	5.8
Other chemicals	4.9	4.0
Paper and paperboard	3.0	2.0
Iron and steel products	2.8	2.0
Petroleum and its products	1.9	2.6
U.S. imports		
Total	174.3	193.6
Major items:		
Rubber and natural gum	53.1	63.6
Petroleum	52.0	64.8
Coffee	34.9	30.2
Pepper	10.5	9.8
Other spices	7.3	9.4
Tea	6.0	5.6
Palm Oil	3.1	5.3
Essential oils, resinoids	1.7	1.1
Unwrought tin	1.3	0.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

INCREASINGLY ACTIVE INDONESIA presents a growing market for a wide range of American products. U.S. firms that make the effort can benefit from the country's new prosperity. Above, a view of Djakarta.

TRADE OUTLOOK FOR INDONESIA

U.S. exports are increasing, but realization of full potential will require more vigorous efforts

Need for imported goods, many of which the United States is in a favorable position to supply, will continue to increase

By JOSEPH A. HARARY
Commercial Attache,
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Covering an area of about 735,000 square miles and with a population of nearly 120 million, Indonesia should offer a substantial outlet to U.S. exports. The country has more natural resources by far than any other nation in Southeast Asia. As a result of the enlightened policies of the Suharto Government, inflation, which was rampant a few years earlier (635% in 1966), was reduced to a manageable rate of less than 10% in 1969. That year also witnessed almost a complete stability of the rupiah.

As a matter of fact, the monetary situation has improved to the point that the Government, with the approval of the International Monetary Fund and the World Bank, was able to introduce on Apr. 17, 1970, a series of new measures, establishing for all practical purposes a unitary rate (about Rp. 378 to the dollar for all transactions with the exception of imports with donor country loan currencies which are maintained at the lower Rp. 326 to the dollar), simplifying import and export procedures, and reducing the export tax. These measures should prove helpful in reducing to the businessman the administrative cost of foreign trade.

The foreign trade of Indonesia increased appreciably in 1969, moving from a total of $1,701 million to an estimated $1,935 million. Total exports on an f.o.b. basis increased by 12%, rising from $871 million in 1968 to an estimated $975 million last year. Imports on an f.o.b. basis rose by 16% to $960 million in 1969.

The pattern of imports showed much improvement in the sense that the share of capital goods and raw materials increased substantially at the expense of imports of consumer goods. This development is favorable to the United States since American capital goods represent a sizeable portion of our commercial exports to Indonesia.

Trade between Indonesia and the United States showed much progress in 1969. Our total exports on an f.o.b. basis jumped from $167 million in 1968 to $200 million in 1969, a rise of 20%. Of the above figures, $137 million was financed by our foreign assistance program ($114 million for PL-480 commodities: rice, cotton yarn, cotton, wheat flour and bulgur, and the balance of $23 million in other goods). This compares with a total of $118 million of U.S. aid-financed exports in 1968, thus registering an increase of some 16%.

The progress of U.S. commercial exports to Indonesia in the last couple of years is most encouraging. They increased from $39 million in 1967 to $49 million in 1968, to nearly $64 million in 1969—a rise of close to two-thirds in two years.

This was not solely due to a similar improvement in demand in this country. Much of the increase in our exports should be ascribed to more vigorous efforts on the part of some of the American companies. This is clearly indicative that we can improve further our export position in Indonesia if U.S. firms devote more attention to this potentially very large market for our products.

It is of interest that U.S. exports to Indonesia of machinery and transport equipment jumped from $43 million in 1968 to $55 million in 1969, a healthy increase of 28%. Included in the above are our exports of road motor vehicles and parts. They reached, on an f.o.b. basis, $10.6 million in 1969, against $8.4 million in 1968. When the 1969 figure is compared to that of 1967, $6.3 million, it shows an increase of nearly 70% in two years. This heartening improvement was brought about mostly by the more sustained efforts of major U.S. automotive companies. Based on indications so far this year, it appears certain that 1970 will witness a further sizeable increase in machinery and transport equipment exports from the United States to Indonesia.

Compared to the above it is somewhat disappointing that our exports in iron and steel products declined by about 28% between 1969 and 1968, $2 million against $2.8 million. The two main items are: plates and sheets, which dropped from $1.3 million in 1968 to $860,000 in 1969, a decrease of more than 36%; and tubes, pipes and fittings, which dropped

by about one-fifth, $1.1 million in 1969 compared with $1.4 in 1968.

According to reliable American trade sources, the main reason for this unfavorable development was the inability of American mills to make deliveries. In some cases, this forced the diversion of the orders to Japan and Australia. While admittedly the current demand in Indonesia for U.S. steel products may seem negligible to American manufacturers, it is useful to keep in mind that Indonesia does not have a basic steel industry and the demand for such products is expected to increase in the coming years.

U.S. imports from Indonesia also increased. They moved from $175 million in 1968 to $194 million in 1969, an increase of about 11%. Six items represented about 95% of the total: petroleum $65 million, rubber $64 million, coffee $30 million, spices $19 million, tea $6 million, and essential oils $1 million. These products have been traditionally shipped to the United States for many years.

U.S. can sell more

Indonesia will continue to have an increasing need for imports, particularly goods in which the United States is in a favorable position to supply. While some encouraging progress has been noted in U.S. exports to Indonesia, American business has certainly not yet approached its full potential in this large and expanding market.

American products generally enjoy an excellent reputation in Indonesia. Under such conditions it is reasonable to expect that those U.S. companies which devote more effort to Indonesia can increase their share of this market. Several such companies have already substantially enlarged their volume in Indonesia and the U.S. Embassy is hopeful that additional American firms will do the same.

A wide range of American products can find a market in Indonesia. Equipment in general takes up a substantial share of U.S. commercial exports. However, there are many other products which can find a demand.

The following categories of American goods appear to be of interest to Indonesian buyers: commercial vehicles and parts, construction and mining machinery, agricultural equipment, diesel generators, diesel locomotives, aircraft and parts, pumps, fertilizer, newsprint and other paper products, chemicals, tinplate, steel and steel products, telecommunications equipment, office machines, computers, textile machinery and pharmaceuticals. This list does not include scores of American items which are being sold in Indonesia, but whose volume is still relatively small.

U.S. aid aims at rehabilitation, growth

The objectives of U.S. assistance to Indonesia are to help stabilize Indonesia's economy, assist its recovery from the severe economic dislocations inherited from the Sukarno regime, and support Indonesia's sensible development of its own resources. Through the ten-nation Inter-Governmental Group on Indonesia (IGGI), the United States is assisting in a coordinated burden-sharing effort to bring about these goals. Now that Indonesia is making sufficient headway toward stabilization, U.S. assistance is increasingly directed to economic rehabilitation and development.

The highlights of the program for which funding is being requested from the U.S. Congress for FY 1971 (year ending June 30, 1971) include:

► *PL-480 Program*—The largest amount of U.S. aid will continue to be through PL-480 loans, primarily for cotton, rice, and wheat products. In addition, $7.5 million in grant aid will be extended through food for work programs, voluntary agency programs, and maternal child welfare programs.

► *Development Loans*—Total proposed is $80 million, including: power-expansion and new electric power generation in Central Java, $13 million; highways ($15 million of this would build a highway serving the new industrial complex between Djakarta and Borgor), $22 million; water resource development in Java, $5 million; agricultural sector loan for fertilizer, insecticides, agricultural machinery, and related technical assistance, $15 million; essential imports of equipment, spare parts, raw materials, $20 million; and loan to Bapindo (the State Development Bank) to provide credit for making private sector loans, $5 million.

► *Technical Assistance*—Total proposed is $5 million, to include a private investment center and geological survey project.

The U.S. Agency for International Development (AID) plans to begin a $220,000 project to establish an Indonesian Private Investment Center. The Center would provide systematic assistance to potential U.S. and other foreign private investors, through the provision of data, research facilities, establishment of appropriate contacts, assistance in procedures, etc.

AID will continue a geological survey project ($300,000 in FY 1971) under which a team from the U.S. Geological Survey is helping to train Indonesian geologists to chart mineral resources throughout the country.

Foreign assistance to Indonesia continues to play an important role in this country's development. Aid is being extended by several non-communist countries and international organizations. It could reach a total of $600 million this year in soft loans and grants for imports of agricultural commodities and manufactured goods, as well as for development projects. The U.S. contribution may exceed $230 million. Indonesia is also receiving foreign technical aid from a variety of sources. It is useful to note that both the International Monetary Fund (IMF) and the World Bank (IBRD) maintain permanent missions in this country.

As indicated earlier, a major part of U.S. assistance to Indonesia comes under PL-480. However, substantial quantities of other commodities and manufactured goods are exported to Indonesia under the U.S. AID program.

For example, under a current soft loan of $44 million, which is being used exclusively for imports of essential goods from the United States, both the Indonesian importer and the American exporter benefit from several advantages. Instead of paying cash for the total transaction as is required for non-AID imports, the Indonesian pays only a relatively small deposit at the time the letter of credit is opened and another portion upon receipt of the documents; the balance, particularly for some capital goods, could be covered by a credit from Indonesian state banks of up to three years at 12% per annum.

On the other hand, the American supplier is paid within a matter of days by AID after his shipping documents are ready. Under the new measures of Apr. 17, 1970, imports using monies derived from foreign aid are paid at the rate of Rp. 326 to the dollar. This represents a substantial discount in comparison with imports effected with ordinary foreign exchange (Rp. 378 to the dollar). It is expected that the United States will grant additional similar loans this year.

The development of private foreign in-

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vestment interest in Indonesia, which started in 1967, has continued its very favorable progress in the last 12 months, which witnessed the approval of more than a hundred investment agreements. Since the passage of the Indonesian Foreign Investment Law of Jan. 10, 1967, more than 400 foreign companies have shown a serious intent to invest in this country.

More than 210 investment projects, with a planned capitalization of $1.1 billion, have already been approved, according to the Indonesian Foreign Investment Board. In addition, 35 contracts for oil exploitation and exploration have been signed. These call for expenditures of more than $400 million for exploration alone over a period varying between six and eight years. Of course, if oil is found, additional hundreds of millions may be invested.

U.S. firms are interested

There are more than a hundred American companies, big and small, which have expressed a serious intent to invest in Indonesia. Up to a few weeks ago more than 55 had already concluded agreements and many others were in an advanced stage of negotiation. To date, U.S. investors exceed in number and planned capitalization those of any other country.

These foreign investments are in many sectors: petroleum, mining, forestry, a wide range of manufacturing, and banking. It is useful to note that of the ten foreign banks which have already established branches in Djarkarta in the last couple of years, four American banks have full-service branches here. Also, several foreign banks, including a major American midwestern bank, have opened representative offices in Indonesia.

Guaranty against risk

The Investment Guaranty Agreement between the United States and Indonesia of Jan. 7, 1967, has certainly encouraged American companies to invest in this country. Under this agreement it is possible for the U.S. Government, through the Agency for International Development, to extend to American investors guarantees against specific risks, such as those pertaining to convertibility, expropriation, war, revolution, and insurrection, as well as against even the risk of financial losses in cases which qualify for such a guaranty. Indonesia has also signed similar investment guaranty agreements with West Germany, Denmark and the Netherlands.

The Indonesian Government passed a domestic investment law in the summer of 1968 which extends to potential Indonesian investors privileges similar and sometimes better than those offered to foreign investors. The implementing administrative regulations came into effect in November 1968.

Indicative of the resumed confidence of the Indonesian business community in the political and economic stability of the country, Indonesian businessmen submitted from Nov. 1, 1968, to the end of February, 1970, a relatively short period of 14 months, more than 340 applications to the Government for domestic investment involving a total capitalization of nearly $360 million, of which more than $300 million will be in foreign currencies necessary for imports. Three-fourths of these applications have already been approved by the Indonesian Domestic Investment Board. However, the implementation of many of these projects is expected to take some time.

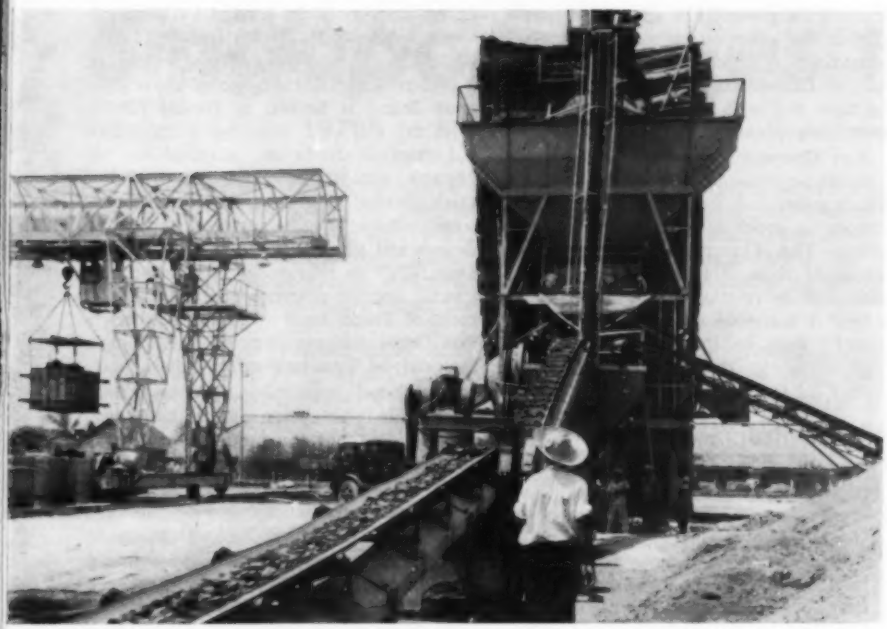
Investments create import demand

All these foreign and domestic investments offer an additional sizeable opportunity for U.S. exports, not only for a wide range of equipment, but also for other manufactured goods. It may be of interest to note that, in the last few months only, the U.S. Embassy has become aware of orders by a few large investors for more than $20 million worth of heavy equipment from the United States for use in planned mining and forestry activities. It is reasonable to assume that, as additional investment projects enter the implementation stage, more and more demand for equipment will develop. American manufacturers can take advantage of this development to greatly expand their sales volume in this country.

It appears that the economy of Indonesia will continue to grow in the next several years, particularly in the second half of the 1970's when many public infrastructure projects as well as private investment plans will have been completed. Besides the expected increase in Indonesia's national income, U.S. businessmen can look forward to substantially higher exports of oil, other minerals, and forestry products. The progress made by the latter in the last three years is most heartening. Exports of logs and wood products, which amounted to about $10 million in 1966, climbed to a figure estimated to exceed $55 million in 1969. According to knowledgeable sources, these exports may amount to $80-90 million this year and are expected to continue to grow as more forestry concession agreements enter the implementation stage and production is begun.

In order to participate in Indonesia's growing economy, it is necessary for American companies to make a major effort now. It should be noted that other

INDONESIAN CONSUMERS ARE BENEFITING from the reduction of inflation to a manageable rate and stability of the rupiah. Shoppers in this Djakarta store have a wide selection from which to choose.



MINING HEADS THE LIST of Indonesian industries as an attraction for foreign capital, with $465 million in investments approved from Jan. 1967 to Mar. 1970. Here, minerals are transported by conveyor belt.

countries, particularly Japan, West Germany, the Netherlands, Australia and Great Britain are making successful efforts to enlarge their shares of the Indonesian market. Other nations are also showing signs of activity in that regard. This healthy competition is favorable. However, it does require more immediate and sustained efforts on the part of U.S. companies if they desire to ensure their fair share of this expanding and potentially very important market.

American companies which contemplate entering the Indonesian market for the first time should be aware that exploration of the potential demand for their products is somewhat more difficult in Indonesia than in other countries. Notwithstanding the progress in the last four years, there is still a lack of adequate sources for readily useable information. Usually many sources have to be contacted. Thus, in order for a business visitor to maximize his efforts here, he must plan to spend several days in Djakarta, the country's import center, and allow additional time if he desires to visit other Indonesian cities.

To sum up, Indonesia is a market which is still at the initial stages of substantial growth. The general conditions here for doing business have been improving over the last few years. Indonesia offers a potentially very profitable challenge to American companies, and it is hoped that many will make the necessary effort to meet this challenge.

Indonesia changes taxes on earnings

New rules set for foreign labor; corporate rates may be lowered

Changes have been made in Indonesia's income tax regulations for 1970, particularly with respect to income tax exemptions and the method of computing income tax payable by foreigners.

Income tax exemptions in rupiah have been raised to Rp. 48,000 for the taxpayer, Rp. 42,000 for each legal wife, and Rp. 18,000 for each lineal relative and adopted child to a maximum of 10. There is also an additional basic exemption of 10% of the gross income, with a maximum of Rp. 12,000 per year.

Foreign workers in Indonesia who receive their income in foreign currency must pay taxes in foreign currency. The method of computing the taxes on income earned during 1970 has been changed.

A basic income tax exemption is now granted for persons earning $4,800 or more annually in foreign currency amounting to 5% of the gross income, with a maximum exemption of $300. In addition, the taxpayer receives for himself an exemption of 10% of gross income (maximum of $900 per year); 5% for his wife (maximum of $600 per year); 5% for up to and including 3 dependents (maximum of $600 yer year); and 7% for over 3 dependents (maximum of $900 per year).

The taxable balance in dollars is converted to rupiah at the current exchange rate of Rupiah 378 per U.S. dollar. The 1969 tax rates are still being used to obtain the tax due in rupiah. This figure is then converted back into dollars at the Rp. 378 per U.S. dollar rate to obtain the tax due in foreign currency. The effective tax on foreigners working in Indonesia is higher in 1970 than in 1969, but is still lower than the tax which applied in 1968.

Income tax rates

The 1969 tax rates, which are still applicable, are as follows: For taxable income up to 120,000 rupiah, 15%; between 120,000-180,000—18,000 plus 18% on excess over 120,000; between 180,000-240,000—28,800 plus 21% on excess over 180,000; between 240,000-330,000—41,400 plus 24% on excess over 240,000; between 330,000-420,000—63,000 plus 27% on excess over 330,000; between 420,000-540,000—87,300 plus 30% on excess over 420,000; between 540,000-690,000—123,300 plus 33% on excess over 540,000; between 690,000-870,000—172,800 plus 39% on excess over 690,000; between 870,000-1.11 million—243,000 plus 45% on excess over 870,000; and 1.11 million and over—351,000 plus 50% on excess over 1.11 million.

Foreign individuals who work in Indonesia for three months or more are considered taxable non-residents and are subject to tax on Indonesian-source income. An absence of one month would probably break the continuity of their residence in Indonesia for tax purposes.

A foreign individual who intends to reside permanently in Indonesia or who resides in Indonesia for twelve months (regardless of his intentions to remain there permanently or not) is considered a resident taxpayer and is subject to tax on his total worldwide income. In computing this income, however, dividends from corporations domiciled outside Indonesia are exempted. Individual taxpayers are given credit for taxes paid to other countries, but only at the rates at which the same income would have been taxed if earned and taxed in Indonesia.

The Indonesian Government has indicated that it intends to make a downward revision in its corporate tax rates. Announcement of this change is expected shortly in connection with some revisions in its foreign investment regulations.

XUM

Western creditors allow rescheduling of Indonesian debt

Representatives of 'Paris Club' agree on 30-year repayment plan

Representatives of the so-called "Paris Club" (the Federal Republic of Germany, Australia, the United States, France, Italy, Japan, the Netherlands, and the United Kingdom), which met in Paris on Apr. 23 and 24 with Indonesian Government representatives, have reached agreement on terms for a rescheduling of Indonesia's external debt on a long-term basis. Representatives of the International Monetary Fund, the International Bank for Reconstruction and Development, and the Organization for Economic Cooperation and Development attended the meeting.

Dr. Abs, a prominent German financier, who had been asked in January 1969 by these creditor countries and by Indonesia to study the problems of Indonesia's debt service, also took part in the meeting.

Cite special circumstances

The representatives of the creditor countries agreed that special circumstances relating to Indonesia justified the adoption of exceptional measures for a long-term rearrangement of Indonesia's external debt, on the basis of the Abs report of July 1969, and of the results of the studies they have undertaken since then.

The representatives of the creditor countries and of Indonesia unanimously agreed to recommend that their governments or their appropriate governmental institutions should provide Indonesia with financial relief in respect of debts incurred prior to July 1, 1966, the so-called "Sukarno debt."

The plan to be so recommended provides for the principal of the debt to be paid in 30 annual installments beginning on Jan. 1, 1970. No new moratorium interest would be payable on these rearranged installments. Payment of interest on the debt under existing contracts or agreements would be deferred to the second half of the 30-year period. An option would be provided whereby Indonesia could obtain further relief by deferring part of the due repayment of principal in the earlier years to the later years of the period. The agreement would provide for a limited revision of these arrangements at any time after 1980 in the light of Indonesia's economic situation at the time and with a view to maintaining its creditworthiness.

This agreement will form the basis for bilateral negotiations between the creditor governments and the Government of Indonesia in order to reach formal agreements. The Government of Indonesia agreed to insure that no more favorable treatment in relation to the debts concerned is accorded to any other creditor country than to the creditor countries represented at this meeting (i.e., the Paris Club).

Sukarno debt, by country

According to Indonesian data, the breakdown of the Sukarno debt is as follows:

	(Millions of U.S. dollars)
United States	$214.9
Italy	149.6
Germany	124.0
France	113.7
Japan	93.0
Netherlands	31.2
United Kingdom	32.7
Total Paris Club	759.1
Other Western countries	25.0
Total Western countries	784.1
USSR	870.3
Other Eastern countries	435.7
Total Eastern countries	1,306.0
Total Sukarno debt	$2,090.1

Indonesia releases more data on trade regulation changes

Letters of credit are required for most categories of imports

Additional details have been received on changes in Indonesia's trade and exchange regulations made in conjunction with the recent reforms reported in the May 4 issue of INTERNATIONAL COMMERCE.

According to a report from the U.S. Embassy in Djakarta, General Foreign Exchange, now used for all transactions except imports under foreign aid program loans, is known as *Devisa Umum* (DU), while Credit Foreign Exchange, sold at a preferential rate for imports under program loans, is known as *Devisa Kredit* (DK).

Letters of credit are required for all imports except the following: imports made through the general entrepot; personal effects or gift parcels (known as despatched goods) up to $100 in value (not $300 as previously reported); and special imports permitted by the Department of Trade, such as goods for foreign investment projects, samples or exhibition material, or household effects.

Prohibited imports include not only cloth with batik design and certain types of tires, but also assembled commercial motor vehicles and Indonesian language materials.

Maximum fees chargeable by commercial banks on foreign trade transactions have been reduced to 0.5%; previously the maximum rates banks could charge were 2.5% for exports and 3% of the c.i.f. value of imports.

Export prices standardized

While the export overprice—the difference between actual export proceeds and the surrender value based on the export check price—has been abolished, the Department of Trade will continue to establish export prices. Standard prices for principal export commodities (rubber, copra, coffee, pepper) have recently been announced, valid until July 1. Press reports indicate they are based on prices in major foreign markets, minus freight costs and sometimes an estimated discount for comparative quality. The following exports are prohibited: gold, silver, low-quality rubber, cinchona bark, scrap of copper, bronze, or iron, and antiques of historic value.

Import procedures have been simplified. The PI (Import Declaration) has been abolished. The basic document in the import trade now is the K.P.P. (Customs Entry Certificate); only six copies are now required instead of the previous 12. The Special Mandatory Contribution (SWI) levy on imported motor cars has been abolished, as well as the ½ of 1% BLLD (Bureau of Foreign Exchange Transactions) fee, a K.P.P. charge, and various other minor levies, such as a Customs Administrative Contribution and an Equalization Fund charge.

Forms required for export have been integrated in Form E3, now the key document in export transactions; only six copies of this form are now required instead of the 12 copies which were required under the previous regulation.

Singapore rides the crest

Economy enters 1970's in high gear after decade of impressive growth

Singapore finished its 150th birthday celebrations in 1969 riding the crest of an economic boom. Entering the 1970's, Singaporeans can look back to a decade of enormous economic growth, according to the Economic Trends Report from the U.S. Embassy.

Gross Domestic Product grew from $656 million in 1959 to $1,611 million in 1969, a compound rate of increase through the decade of 9.4% a year.

Other Singapore statistics are equally impressive: Gross Domestic Capital Formation increased from $50 million in 1959 to $306 million in 1969, and total investment increased at a compound annual rate of 19.8%. Commercial bank deposits grew during the same period from $272 million to $915 million, and Government revenue increased from $92 million to $311 million.

In spite of these substantial expansions of investment and money supply, there was little inflationary pressure, and the consumer price index rose only about 11 points during the entire decade.

At the end of 1969 all major economic indicators, with the exception of unemployment and the price index, pointed upward, and Singapore entered 1970 with a vibrant, expanding economy. Of particular importance to the nation's economic well being was the continued growth of manufacturing industries in 1969, thus broadening the base of Singapore's economy and helping greatly to alleviate Singapore's chronic economic problem, unemployment.

Trade expands

Last year was a particularly good year for Singapore's world trade, which increased by 14%. Much of this is entrepot trade, and its growth can be attributed to generally favorable economic conditions in the area. Export trade figures benefited from higher prices for rubber throughout the year and increased shipments of made-in-Singapore goods to the rest of the world.

Although the United States increased its exports to Singapore by almost 13%, the U.S. share of Singapore imports dropped from 6.8% of the total in 1968 to 6.3% in 1969. Imports from Japan, however, jumped 47% in value and Singapore had an imbalance of trade with Japan of $224 million for the year. In 1969 the downward trend in trade with Malaysia was reversed, and both exports and imports grew in value. Imports of goods from Mainland China decreased by almost 10% but exports more than doubled, largely due to increased Chinese purchases of rubber.

Possible trade slowdown

In his budget speech to Parliament in March, Finance Minister Dr. Goh Keng Swee devoted much of his remarks on near-term prospects to the outlook for the U.S. economy. Dr. Goh believes that fluctuations in U.S. economic activity have a strong influence on free world economies, and recession in the United States would seriously affect world trade and hamper investment plans of large American corporations abroad, thus affecting Singapore. Electronic plants and other American investments in Singapore now employing thousands of Singaporeans would also feel the adverse effects of any U.S. recession.

Although not pessimistic about the U.S. economy, Dr. Goh did warn Singaporeans that the next two or three years will not be as economically fruitful as the last two because of a predicted reduction in the expansion of world trade.

In order to maintain Singapore's position as the leading entrepot for the area, two Free Trade Zones were established in Singapore in late 1969. These Zones are designed to facilitate the activities of traders dealing with dutiable and quota restricted goods imported from overseas. Operated by the Port of Singapore Authority, the Zones provide facilities for storage, processing and even manufacturing.

Singapore is expanding its telephone, telex and radio communication facilities in order to cope with its new industries and provide even better accommodations for regional offices. Construction of an earth satellite station is expected to begin shortly.

The Singapore Government is extremely interested in attracting those industries which upgrade the technical capabilities of the work force or which put a high premium on advanced managerial skill. Although there are definite shortages of both technicians and managers, Singapore looks to foreign investors for the expertise which can train its young and dynamic work force. Singapore welcomes those industries which offer a great deal of upward mobility or which have in-service training for the acquisition of new skills. American firms which bring in the technology needed for Singapore to become an advanced center for research and development in Southeast Asia get a warm welcome here.

Although economic growth during the past ten years was not entirely smooth, and there were dislocations during the Indonesian confrontation, the basic trend has been one of continued expansion. Even the upcoming withdrawal of British forces is no longer viewed by Singaporeans as the great economic misfortune it appeared to be in early 1968. The mood is one of determination and self assurance that Singapore will continue its economic growth, barring any downturn in world commerce or industry over which Singapore has no control.

Broadening industrial base

Singapore's industrial expansion acquired new dimensions in 1969. The electronics industry surged ahead, and by the end of the year 22 factories were in oper-

Selling to Singapore

As Singapore's industrial base broadens, American manufacturers of machinery should be more interested in the Republic as a possible market. Many of the new factories concentrate on export sales, and American suppliers should not judge potential industrial production by the size of Singapore's small population when assessing potential sales. The construction industry also provides a market for American goods and services.

Other opportunities lie in specialty American equipment for hotel furnishings, restaurants and recreational facilities, as the Republic develops tourist and convention accommodations; also food and drink machines, sports equipment, leisure wear, accessories, house furnishings, new appliances, and other consumer-oriented products offer potential. Sales of American goods might also be directed toward the growing number of American civilian employees in Singapore and the rest of Southeast Asia.

XUM

SINGAPORE'S VIBRANT ECONOMY entered the 1970's in high gear, and U.S. firms which can provide the technical knowledge to upgrade the work force are welcome to share in the upswing. These modern apartments are an indication of the increasing affluence of Singapore's workers.

ation and another 22 were in various stages of development. American giants of the industry are already in production, and they will shortly be joined by others.

The list of firms which came into Singapore during 1969 to participate in oil exploration in Southeast Asia reads like a Who's Who of the oil industry. Although Esso's refinery currently under construction is the largest new American investment in the oil field, several other firms related to the oil industry announced plans for using Singapore as a marine supply base or a construction and manufacturing center. Bethlehem Steel, for example, is expected to assemble oil rigs, and several other American firms are making arrangements with local shipyards for similar operations.

Although the oil and electronic industries are the most dramatic new additions to Singapore's growing industrial base, other factories are crowding into the industrial parks scattered throughout the island. Jurong, the largest of the parks, now has 215 plants in operation, and the amazing growth of Jurong has necessitated the clearing of additional tracts of land for industrial use. Over 4,500 acres are currently under development, and the Jurong Town Corporation has plans to double that amount of acreage over the next few years. The JTC is also developing 400 acres for industrial use near the Sembawang Shipyards, and it is engaged in a similar operation for a marine supply depot at Loyang.

Singapore's shipbuilding and repair industry netted about $50 million in 1969 and expects to top $80 million in 1970. According to press reports about 38 new shipbuilding and repair yards are in the offing, and work is currently in progress on a new joint venture of Japan's Ishikawajima-Harima Heavy Industries and the GOS, a shipyard in Jurong which when in full production in 1975 will build "Freedom" vessels. A dockyard is to be completed next year. Other existing shipyards are expanding their facilities to construct barges, assemble platforms and build vessels to meet the demands of the oil industry.

Ranks its port fourth

Singapore now ranks itself as the fourth port in the world in terms of cargo handled and believes that it will shortly overtake Yokohama as the world's third busiest port.

An exciting new industry, aerospace, appears to be developing in Singapore. British Anglo-Thai Corporation announced that it was forming a new company with Bell Helicopter to assemble helicopters. The firm, Heli Orient (Pte) Ltd., will also use Singapore as its distribution point for spare parts in the region. Lockheed Air Services has concluded negotiations with the Government of Singapore to establish an aircraft repair and maintenance center in Singapore, and other aircraft companies have shown interest in setting up similar facilities.

Skilled labor needed

During 1969 Government officials began speaking of an anticipated labor shortage, particularly skilled workmen and technicians. Prime Minister Lee Kwan Yew publicly offered permanent residence and possible citizenship to skilled foreign workmen who came to Singapore to participate in the country's economic development. Shortages of skilled personnel are already apparent in the shipbuilding and ship repair industry, and there is an acute shortage of naval architects and marine engineers. The electronic firms have also experienced difficulty in recruiting electrical engineers locally.

A former UN advisor to the Government has estimated that over the next few years there will be a shortage of between 450 and 500 engineers each year and that Singapore will be short of 1,500 to 2,000 technicians each year over the next two years. Recognizing that shortages exist, the Government has relaxed its immigration policy for skilled workers and technicians from abroad, and it has embarked on a crash program of industrial and vocational training. Foreign firms setting up in Singapore are being encouraged to bring in their expert technicians.

Unskilled labor is still available, and the electronic firms in particular have found that Singapore's largely English-speaking labor force is easily trainable. With something over 15,000 annually entering the job market and unemployment running over 6%, most firms have had little difficulty in obtaining a work force. Officials have estimated that at least 15,000 industrial job openings must be generated annually in order for Singapore to remain on top of its unemployment problem, and it has only been in 1968 and 1969 that Singapore reached this goal.

Effective Jan. 1, the Government of Singapore withdrew hotel building concessions previously granted to developers on the grounds that there has been an overbuilding of hotels in Singapore. Applicants for hotel development will now have to pay development charges. The Singapore Tourist Promotion Board has completed a study which showed that only 5,200 hotel rooms would be needed in 1975 (based on 80% occupancy and projections of future tourist arrivals in the

Republic), whereas the supply of hotel rooms will exceed 13,000 by the end of 1972. Thirty-two new hotels in Singapore are in various stages of construction and three existing hotels are being extended.

Many hoteliers and developers dispute the overbuilding charges and contend that Singapore is only on the threshold of a tourist boom. They believe that Singapore has not yet tapped its tourist potential nor has it made any significant attempt to attract large conventions. Their current attitude is that when the facilities are available, Singapore will be able to lure large blocks of tourists to the island.

Recognizing the value of tourism, the Singapore Government has extensive plans to construct tourist-attracting facilities. Plans for converting Blakang Mati, an island in Singapore harbor, are in an advanced stage; a large marineland will be developed on the east coast; several sites in the city are earmarked for special attractions and one of the largest open aviaries in the world will open shortly in Jurong. The Tourist Promotion Board now has an office in the United States, will shortly be opening one in Japan, and plans to establish others abroad.

Hotels are not the only construction activity which is changing Singapore's architectural profile. Work is progressing steadily on the Singapore Development Bank's fifty-story office building; other Government and private office buildings are now going over 20 stories, and even the Housing and Development Board is building low-cost apartment buildings of 20 stories.

During the past six months a "Rockefeller Center" type plan was announced for future development on the site of the present Raffles Institution and other schools in that historic and scenic harborside area.

The Housing and Development Board is adding to the construction boom with an accelerated building program. In the 1970 budget a development loan of $33.3 million will be supplied to the HDB, whereas previously the annual loan had been $16.7 million. The Board will spend approximately $133 million over the next few years to build 65,000 dwelling units.

Prime office and luxury apartment and housing space is at a premium in Singapore although there are several office buildings and housing estates under construction. Rents have soared during the past year, and many landlords are doubling rents when leases expire. Houses which formerly rented for $300 per month are now renting for $600 and upwards.

Utilizing help from the United Nations and from individual countries, the Singapore Government has swung into high gear in its educational schemes for training the workers of tomorrow. The large vocational school in Jurong is now in operation, and a metals development training school and research center in Jurong which will represent an investment of about $6 million is currently being built and equipped.

The Government continues its crash program for workers laid off from the British bases and its publicity campaign to attract school-leavers to take up blue collar work.

Under arrangement with Ishikawajima-Harima Heavy Industries and the Japanese Government, 249 Singaporeans are in Japan to learn shipbuilding and repair.

With financial assistance from the United Nations Development Program and expertise from the International Labor Organization, the Singapore National Productivity Center is expanding its activities to include more courses on management, efficiency and similar subjects. The Singapore Hotel and Catering Institute will also be using UNDP funds and ILO assistance to expand its courses to include lower and mid-management training, and the British are helping to build a model hotel for the Institute.

The Government established one new government industry during the last six months, a joint-venture marine supply base. Government officials took pains to assure the private sector that already-existing government businesses would not receive unfair advantage over their private competitors. Most Government businesses made a profit during 1969. INTRACO, the state trading agency started only in late 1968, announced that it made $250,000 for the year.

The new slogan for Singapore in the 1970's, as coined by the Prime Minister, is upgrading the Quality of Life. The slogan is to be translated into action programs designed to give Singaporeans more satisfying jobs, better housing, a more varied cultural diet and better recreational facilities. The Government will shortly embark on an anti-pollution campaign after successfully implementing its anti-litter programs. The National Trades Union Congress, the only labor federation in Singapore, is also working on such "quality of life" schemes as insurance, and consumer and housing cooperatives.

The British pullout

Some Government and private economists foresee a slower rate of growth for Singapore during the next two years. They point to the accelerated British withdrawal, to be completed in 1971, as the chief reason for a pessimistic short-term view of the economy. Thus far, the withdrawal has been gradual, and the reduction of British military spending of $14 million in 1969 from a 1968 total of $152 million was more than offset by an increase of $22 million in tourist expenditure. The approximately 4,000 employees discharged from the British bases in 1969 were largely absorbed by manufacturing firms.

The real crunch will come in late 1970 and 1971 when nearly 24,000 British base employees will be laid off, and British military spending, which now accounts for about 9% of the GDP, will cease. No one has an accurate count of the number of workers in Singapore who owe their livelihood indirectly to the presence of the British military, but some observers have listed it as high as 100,000 persons.

Thus far Singapore has done a remarkable job in converting the British facilities it has already acquired, and if the remaining bases can be developed as paying commercial ventures Singapore may well be able to overcome the effects of the pullout. Should it be able to attract new factories to take over the storage facilities, expand its aerospace industry to take advantage of the air fields, rent the military housing and continue its expansion of the tourist business to take up the slack of reduced military spending, the British forces withdrawal may only result in a temporary slowing down of Singapore's economic growth.

Japan to buy U.S. cotton with $75 million from Exim

The Export-Import Bank of the United States has authorized a $75 million credit to The Bank of Tokyo, Ltd., to finance a portion of Japan's purchases of raw cotton from the United States. This new credit represents Eximbank's twenty-third for Japanese cotton purchases and will finance the purchase of 610,000 bales.

The Bank of Tokyo will make proceeds of the loan available to commercial banks in Japan which will act as its agents. These banks in turn will make the funds available to the mills

Purchases will be financed through drafts drawn by U.S. shippers on The Bank of Tokyo, pursuant to letters of credit issued by U.S. commercial banks and guaranteed by Eximbank.

Japan has long been the largest importer of U.S. raw cotton. For many years it has purchased over one million bales annually, or about one-third of the country's import requirements. This year, Japan expects to import some 3.1 million bales, valued at $390 million.

Since 1948, Eximbank has financed the purchase by Japan of 9 million bales of raw cotton from the U.S. valued at some $1.25 billion.

XUM

Burundi economic activity dampened by credit squeeze, import controls, but '70 is seen as good coffee year

U.S. share of market—mostly used clothing, pharmaceuticals, trucks—usually around 6 or 7%; chances for growth slim

The Burundi economy at this time can only be described as depressed.

The country showed a balance-of-payments surplus at the end of 1969 for the first time in several years, but that surplus was achieved by a credit squeeze and import controls that generally dampened economic activity in the country.

The government, as the largest employer and spender, finds itself with several million dollars in debts to the private sector that have piled up over the years. Reduced revenues are necessitating less government spending which decreases employment and commercial activity, according to the Economic Trends Report from the U.S. Embassy in Bujumbura.

Coffee continues to be the country's major income earner, followed by cotton and hides and skins. The 1969 coffee crop was the smallest in four years, but this year's prospects are favorable.

The Burundi market remains somewhat uninteresting for U.S. exporters. Burundi, as an Associated Member of the European Economic Community, erected "reverse preference" tariff barriers averaging about 6% in 1968 against non-EEC countries.

U.S. imports usually amount to 6 or 7% of the Burundi market, about $1.5 million. Prospects for expanding the U.S. share are slim, due to the shrinking trend of the economy and traditional trade lines to Europe.

Although Burundi enacted an attractive Investment Code in 1967, investment other than from foreign governments or international organizations has remained slight. Feasible opportunities include small fertilizer, agricultural-tool, flour-milling, and sack-making plants. Burundi is seeking an investor to build a tourist-class hotel to attempt to capitalize on the natural beauty of the country.

U.S. firms buy coffee

Once again in 1969, U.S. firms bought about 90% of Burundi's coffee production which accounted for some 75% of Burundi's foreign exchange earnings from exports. U.S. firms are likely to continue buying nearly all the high-grade Arabica "other mild" coffee that the country can produce. The International Development Association's $2.2 million coffee improvement project under way in Burundi's coffee-producing center, Ngozi Province, is supposed to provide for increases in production of 1,600 tons annually by 1980.

U.S. importers may become interested in Burundi's increasing tea production.

A more interesting outside chance for U.S. importers and investors is the possibility that the United Nations Development Program's (UNDP) $1 million, 2½-year mineralogical survey of Burundi, under way since 1969, may turn up some exploitable resources. Burundi now produces bastnaesite, used in color television receivers (the United States has its own source), and small amounts of cassiterite (tin) ore and limestone. One Belgian mining company is considering reopening a tungsten mine and a tantalite mine in the north of Burundi. The UNDP team has already found traces of copper, diamonds, and calcerous soils used in making cement, but whether these minerals exist in exploitable quantities or not still remains to be established. A "strike" could significantly change Burundi's prospects and appeal.

During recent years, U.S. exports to Burundi have run about $1.5 million a year, roughly 6½% of Burundi's annual imports. The largest item is used clothing ($397,000 in 1968). Since the neighboring Democratic Republic of the Congo recently raised import duties on used clothing to a higher level, used clothing sales to Burundi are likely to continue to rise.

Other U.S. exports to Burundi include trucks, engines and spare parts ($442,000), pharmaceutical products ($88,000), tires ($50,000), and radios (1968 figures). The EEC remains Burundi's largest supplier. Its share of the market is diminishing slightly, however, as Japanese imports continue to make inroads into the market, particularly in textiles and light manufactured items.

Much of Burundi's import business remains in the hands of Belgians. In addition, EEC imports are protected by an average 6% "reverse preference" tariff that serves as a barrier to U.S. imports. This trade barrier is not likely to be removed in the near future, despite Burundi's recognition of the fact that American imports should have equal access as the United States supplies about 75% of Burundi's foreign exchange earnings. EEC countries, individually, and collectively through the European Development Fund, are the largest aid donors to Burundi (around 75%).

A few classes of imports continued to show growth in 1969, even though imports as a whole declined 14%. These included imports of food, up 19%, and of clothing and shoes, up 4%. Petroleum product imports held more or less steady and U.S. firms held their own in this field. Cloth remains Burundi's largest import, followed by transport, food, and petroleum products. It is unlikely that this pattern will change significantly in the near future although food will continue to bulk large in the country's imports as the demands of an expanding population must be met.

Few investment possibilities

Although U.S. investors have not been interested in Burundi in the past, observers have identified a few opportunities that could well be profitable for an investor on a small-scale basis—a small fertilizer plant, a factory for making simple farm tools, a manioc flour mill, and a small factory for making sisal bags. These four investments are all probably realistic considering the effort of government and international assistance donors to expand the country's agriculture and the rising demand for food.

Burundi seeks investor for tourist hotel

Burundi is actively seeking an investor to build a modern tourist hotel in Bujumbura, the capital, on Lake Tanganyika.

Considering the booming tourist industry of neighboring East African countries and the growing propensity of affluent European and American tourists to seek exotic places, in years to come Burundi, with its beautiful, cool, green mountains and Lake Tanganyika, with its beaches and broad expanse for water sports, could become strong tourist attractions.

Incentives to investment in Burundi include a liberal Investment Code enacted in 1967 and a large, cheap potential labor pool. An Investment Guaranty Agreement between Burundi and the United States was signed in May 1969.

Regional efforts seen as boost

The touristic potential of the country as well as its other possibilities may flower in future years if Burundi eventually becomes integrated into the more lively economies of either East Africa or the Congo.

Two efforts are more or less afoot to intensify Burundi's contacts with its economically healthier neighbors to the East and the West. Burundi applied for membership in the East African Community in 1967 and negotiations have continued intermittently. At present, the Burundi government seems to be taking no action to further the application but East Africa remains willing.

In the last six months of 1969, efforts were made to form an economic union of Congo, Rwanda and Burundi. This regional effort also seems to be on the shelf for the moment but further meetings are scheduled for 1970.

Burundi's export, foreign exchange, and budgetary situation—in fact almost the whole economy—depends on coffee and a little cotton. Production of coffee dropped 12%, from 1968 levels, to 14,531 tons. Export earnings, because of the smaller crop and lower world prices, declined more than $1 million. The budget, which had foreseen a larger crop and larger earnings, was thus overspent, forcing cutbacks in government spending.

A fairly good year is predicted for coffee in 1970. Production and world prices are expected to hold steady on Burundi's type of coffee. Problems in Brazil have run the price of coffee up 15 to 20 cents a pound higher than 1969's average selling price (a 20-year low) of 30.67 cents. In January, Burundi sold some 8,680 tons of its best coffee at 47.65 cents a pound, giving the economy a much needed shot in the arm.

Burundi cotton fared poorly in 1969 and there is little indication that 1970 will be any better. Export earnings from cotton were down $500,000 from 1968 production of 7,350 tons of seed cotton and 2,839 tons of cotton fiber. The drop was attributable to a 10% reduction in the acreage planted in spite of higher yield per acre.

Various projects are being undertaken by the World Bank's International Development Association and the European Development Fund to improve coffee, cotton, tea, and rice production. Burundi's resultant increased production should stimulate imports, permit fuller employment, and generate capital for investment over the long run.

There is mounting evidence that Burundi's high rate of population growth is causing land to be diverted from export agriculture to subsistence food crops. The population of Burundi—approaching 4 million in a country about the size of Maryland, about 350 persons per square mile—is growing at a rate of 3 to 4% per year and will have doubled in about 20 years. At present, the Burundi Government has no policy on limiting population growth. The steady drop in coffee production since 1967 is due partly to the fact that the peasant is devoting less time and less land to coffee and more to subsistence crops.

If this trend continues, the economic results for Burundi will be grave.

Payments surplus—at high cost

Burundi finished 1969 with a modest balance-of-payments surplus for the first time since 1965, although the country's balance of trade remained in deficit by some $3.2 million. Foreign aid picked up the difference and Burundi continued to require standby credits from the International Monetary Fund that stood at $6.5 million at the end of 1969.

Although there were slight increases in foreign exchange increments from resident foreigners, religious missions, UN and EEC aid, the balance-of-payments surplus of about $0.8 million was achieved largely through a conscientious reduction of imports. A $2.8 million decrease in 1969 imports was achieved largely by a tightening of credit.

Government revenues were lower than anticipated in 1969. The 1969 budget was balanced at $21.9 million. Receipts from taxes actually fell some $4.5 million short of forecast, creating a serious budget deficit—the largest in some years. The government has reduced personnel and spending.

As a result of reduced government input and the tight credit situation, some commercial firms also are reducing personnel and inventories.

Economy will get boost

On the brighter side is the probability that coffee revenues will be stronger this year, giving the economy a boost beginning in June when harvesting and shipping begins.

While the Burundi economy currently generates no capital for investment, it is hoped that part of the increased revenues from a good 1970 coffee season will be invested through a proposed development budget. The national budget for 1970 has

CREDIT CAN BE OBTAINED by Burundi consumers and small investors from the newly-opened National Bank of Economic Development in Bujumbura. The Bank has assets of some $350,000 available for lending.

been presented balanced at $22.9 million, a bit higher than 1969.

In the past, the government has had to have advances from the Bank of the Republic, sometimes exceeding limits agreed upon with the International Monetary Fund to meet current expenses. This habit represents a long term threat to the currency as more and more of the Bank's assets are held in the form of government bonds. Hence, it becomes important for the long-range economic stability of the country that government spending stay within budgetary limits.

On the foreign aid front, prospects for the coming year are mixed. UN and related organizations' expenditures in Burundi in 1969 amounted to almost $1 million (although the UN budget for Burundi, including salaries, for 1969 is $2.5 to $3 million). EEC contributed more than $1.5 million in development and technical assistance. Such mulilateral aid is likely to increase during the coming year. Belgium is the largest source of foreign assistance to Burundi, having provided about $8 million in 1969.

The 1970 Belgium-Burundi Aid Agreement has not yet been signed, but the settling of a recent dispute between the two countries has made the outlook favorable.

Prices, wages relatively stable

The Burundi franc remains relatively stable. Illegal exchanges do occur up to 100 Burundi francs to the dollar instead of the official rate of BF 87.5 to U.S. $1. Devaluation would solve none of the country's basic problems and would be opposed by the International Monetary Fund, on which Burundi relies for annual standby credits.

The evolution of the price situation could not be described as inflationary although prices on imported items continue to rise. The cost of living index for Europeans, with a large import component, rose 4.8% during 1969; for Africans, 2.7%. The Burundi government policy has been to encourage more African participation in the wholesale and retail fields. The Association of Burundi Merchants has been given monopolies of the import of salt, sugar, and matches. Shortages and price rises have since occurred in those commodities.

What few manufacturing firms there are in Burundi continue to operate at less than capacity. Established when Bujumbura was the industrial center for Rwanda, Burundi, and the Eastern Congo, they have not operated at anywhere near capacity since the region fragmented politically and economically in the early 1960's. Even the brewery, until now the most profitable industry in Burundi, had a significant drop in sales in 1969.

Rwanda will practice austerity after 1969 budget, trade deficits

Production and development are far behind planned levels; market is small, but some business opportunities are available

This will be a difficult year for Rwanda, according to the annual Economic Trends Report from the U.S. Embassy in Kigali. After 1969's budgetary deficit of $3.92 million (25%) and negative trade balance of $2.17 million, austerity must be practiced in the public sector and restrictions will have to be imposed on the private sector to halt the deficit in the balance of payments.

The Rwandan market is small, stagnant, and far from the nearest seaports. Still, American products have a good reputation and suffer almost no discrimination on entry into Rwanda.

American trucks, tires and tubes, introduced under the AID commodity support agreement of 1966, have performed well, and continue to prompt some orders, but German, French and Japanese products are aggressively represented in Rwanda.

American food products introduced under PL-480 are also popular, but the transport costs tend to make them less competitive. Some specialty food items continue to be imported, mainly for the foreign community. Many of the "American Brand" items sold here are manufactured in European and East African subsidiaries.

The United States has traditionally absorbed nearly 90% of Rwanda's coffee and much of the mineral exports. The trend is declining. In 1970 perhaps as little as 50% of the coffee will go to the United States. The Soviet Union may take up to 30% of the coffee. All of the minerals may go to Europe in 1970.

Rwanda would welcome and facilitate American investment. The best investment opportunities continue to be in tourist facilities, mineral extraction, and the methane gas of Lake Kivu. In view of the tremendous expansion of tourism to East Africa in recent years, the untapped tourist potential of Rwanda continues to appreciate. There is a United States/Rwandan Investment Guarantee Agreement and Rwanda has an Investment Code which grants substantial concessions to new investment.

New and increased taxes on business and imports were voted early in 1970. These, plus increased credit restrictions on the private sector, will increase the cost of doing business in Rwanda. The deficit spending of 1969, which increased the currency in circulation, maintained unusually high demand for imports. Under the austerity promised for 1970, imports and sales should be substantially curtailed.

Retail prices have remained remarkably stable, thanks to improved production for domestic consumption in 1969. The National Bank has intervened in the local market to maintain price stability. The consumer price index lacks precision, and price controls are not enforced, but statistically prices have risen only 14% since the devaluation of 1966.

Wages are very low; there have been no salary increases since the devaluation of 1966, except in the military services. Wages and salaries are not regulated, except for a minimum daily wage of 28 to 32 cents according to region: Salaries in the mining industry exceed the minimum by a few cents per day, but wages for unskilled and agricultural labor frequently fall below the minimum.

Mineral production has slipped; both employment and output declined in 1969. A rise in world market prices of tin toward the end of 1969 led to the liquidation of stocks. While export statistics for minerals remained essentially unchanged, production fell some 8%.

The Belgian-operated mines have had their concessions cancelled by the mining code of 1967. Although the law has not been implemented, the companies no longer have any security as to their mining rights. Increased production will require new investment but in view of the uncertainty of claims, increased taxes for 1970, and increased costs for electricity, companies are reluctant to commit substantial amounts of new investment.

Development is far behind planned levels. Rwanda's absorbability of foreign aid is very low. Of the $10 million of foreign aid available in 1968, just over $1 million was disbursed. Of $14.7 million available under the second European Development Fund (FED) between 1965 and 1969, only $3.7 million had been disbursed by the end of 1969.

Production is also far behind levels envisioned in Rwanda's Five Year Plan for Economic and Social Development, 1966-70.

Canada requires labeling of hazardous products next year

On Mar. 3 Canada issued the Hazardous Products Regulations, respecting the advertising, sale and importation of "hazardous" products. Basically, the regulations, effective as of June 1, 1971, list products to be labeled in both English and French; list types of products considered hazardous to the consumer; establish a standard set of symbols designating types of hazards to be marked on products in a specified manner; require the label to contain a statement of the nature of the hazard, and give statements of precaution; and when applicable, require the printing of the words "First Aid Treatment" in boldface capitals, and, immediately following such words, the source of the hazard, the first aid treatment antidotes, and directions for the proper and safe use and storage.

The principal symbols to be displayed on the main part of a product's container include an exploding-ball for aerosol containers, a skull and crossbones for poisonous products, a flame symbol for flammable substances, and a skeletal hand immersed in liquid for corrosive substances. Some of the specific products requiring these symbols are cleaning agents containing chlorine, petroleum distillates, toluene or acetone containing products, fire extinguishing fluids composed of halogenated aliphatic hydrocarbons, methyl alcohol products, all aerosol containers, and all products containing corrosive chemicals such as acids and phenols.

Complete details of the requirements may be obtained from the Department of Consumer and Corporate Affairs, Ottawa, Ontario, Canada.

Japan suspends one percent import deposit requirement

The Japanese Government has suspended indefinitely its requirement that importers deposit 1% of the value of imported goods with an authorized foreign exchange bank at the time an import license is issued. Although the prior import deposit was returned after 80% of the licensed import cleared customs, the requirement added to the cost of the imported goods. This action became effective May 18.

Earlier, effective Oct. 20, 1969, Japan reduced from 5% to a uniform 1% the import deposit rate. Prior to that date, although the 1% rate was applicable for most raw materials and machinery, a number of other products—largely consumer items—were subject to a 5% levy.

Greece adds more import items to cash deposit list

The Government of Greece has added some 74 industrial, consumer and luxury products to the list of goods for which pre-import cash deposits made by importers at the time of import approval must be retained on deposit with commercial banks for four months. The commodities in question were previously subject to a deposit retention requirement of two months.

The measure is designed to slow the rate of increase of Greek imports. A list of the commodities affected is available from the European Division, OIRE/BIC (888), U.S. Department of Commerce, Washington, D.C. 20230.

IDA aids projects in India, Congo (B)

The International Development Association (IDA) has approved interest-free credits of $35 million for an agricultural credit program in the State of Gujarat in west-central India, and $1.5 million for improvement of the 21-mile Pointe Noire-Makola road in Congo (Brazzaville).

The IDA is an affiliate of the World Bank, and all imported goods or services purchased with World Bank funds must be procured through international competitive bidding.

Under Gujarat's agricultural credit program, long-term finance will be made available for investments in minor irrigation works, mainly dugwells and tubewells, and for farm mechanization. Contractors will receive credits for drilling rigs and spares, and farmers will receive finance for the purchase of tractors, tractor implements and harvesters. The program also includes a survey of Gujarat's groundwater resources by the State Groundwater Directorate with the assistance of consultants.

The Pointe Noire-Makola road, which will be improved with the help of this credit, is a heavily traveled section of the highway between Pointe Noire, Congo's only seaport, and Brazzaville, the capital. The road serves a potash mine and refinery of Compagnie des Potasses du Congo (CPC).

Libya passes new laws governing business and labor

On May 2, the Libyan Government issued a law governing commercial activities in Libya. Under the provisions of this law, partnerships and limited partnerships must be wholly-owned by Libyan citizens, while foreign participation not exceeding 49% is permissible in corporations only. No person may serve as the director of more than two corporations or be involved in the management of more than three.

Foreign firms may open branches in Libya for a five-year renewable term, if their business activities include consulting engineering and/or technical services connected with the Libyan oil industry. Any branches of foreign firms not engaged in these activities must be liquidated within one year.

The law also states that 75% of corporation employees must be Libyan and that wages and salaries paid to them must not be less than 65% of total payments. Companies currently operating under the Petroleum Laws are *not* governed by the provisions of this new law.

Also on May 2, a new labor law replacing that of November 1962 was announced. Basically, the new law moderately increases workers' benefits and insures strict government control of workers' associations and unions by maintaining the earlier prohibition of strikes and work stoppages and by providing for compulsory conciliation and arbitration by government-supervised boards.

The new law also contains a prohibition on payment of any portion of wages abroad and a requirement that all wages be paid in Libyan pounds in Libya. Salary repatriations will be restricted to the 60% allowed by foreign exchange regulations. More information may be obtained from the Africa Division, Bureau of International Commerce, Department of Commerce, Washington, D.C. 20230.

XUM

Firms in Germany, Italy and Switzerland offer products to U.S. concerns for licensing

Goods include clutch and couplings, industrial furnaces, plastic welding machines, watches, construction system, electric razor, safety belt

Manufacturers in three European nations are offering products to American concerns for licensing. These are: clutch and couplings, industrial furnaces; machines for welding plastic items; wristwatches with blood group indication; a house construction system; an electric razor innovation; and special safety belts for use in automobiles.

For additional information and the name and address of the firm, write the Office of International Investment, BIC-874, U.S. Department of Commerce, Washington, D.C. 20230, referring to the appropriate File number assigned each opportunity listed below.

A West German producer of gear units and components wishes to license the manufacture of two of its products: clutch and couplings.

The clutch is referred to in technical literature of the German firm as being a highly elastic friction clutch with compact dimensions permitting installation in a minimum of space. It is ideal, according to the firm, for use in conjunction with diesel power plants and especially in ships. The reason is that the clutch, when used in combination with the torsional elastic shaft coupling, compensates for axial and radial alignment faults. **File 1875**

- An Italian manufacturer of industrial furnaces offers licenses for its low frequency induction furnaces for melting, molding and super-heating ferrous and nonferrous metals.

These furnaces offer low voltage supply (less than 100 v.), and low installation costs because the units are mounted on a self-supporting frame. **File 1876**

- A small Swiss engineering firm offers manufacturing rights for a new automatic plastic welding machine which is now used in Switzerland primarily to affix plastic foam pads to shoe polish applicators.

It has a capacity of about 800 fittings per hour in this operation with the welding process and the temperature of the welding head being automatically controlled by electric or electronic means. The machine can be equipped with accessories or fittings for many other applications. The company also offers a hand operated welding machine. **File 1877**

- A Swiss patent developing and marketing firm is offering manufacturing rights to U.S. licensees for (1) a house construction system; (2) a wrist-watch with blood group indication; (3) an electric razor innovation; and (4) a special safety belt for use in automobiles.

The construction system is not prefabricated, but uses heavy construction materials to make walls on the building site. It is versatile, efficient, and may be used for several different types of homes. Over 2,000 houses have been built in France using this system. **File 1878**

- The wrist-watch or strap with blood group indication enables first-aid helpers to identify the blood group of injured persons. A patent has been applied for. **File 1879**

- The safety belt is electrically connected to the ignition system of passenger automobiles so that the engine can be started only when the seat belt is fastened. Application has been made for a Swiss patent on this. **File 1880**

- The electric razor innovation consists of cutting blades behind a protection gate for quicker and smoother action. A French patent is pending. **File 1881**

Three French firms seek licenses or joint venture agreements with Americans

Three French firms have indicated an interest in joint venture or licensing agreements with U.S. companies.

A wholesale distributor of processed foods is seeking a joint venture with an American group to revitalize its operations. Equity and management participation, subject to negotiation between the interested parties, is offered.

Write: A. Boutot, Docks de l'Alimentation S.A., Quai de Cavaignac, 46-Cahors, France. WTD. **P-70588.**

- Licensing agreements to manufacture thermo-formed plastic wall coverings for interior and exterior, and false ceilings are sought by another French firm.

The company manufactures thermoformed polystyrene and acrilonitrile, butadiene, styrene sheets. It also produces plastic blister packaging, plastic display panels and related display equipment. The firm employs about 35 and distributes its products on the domestic market.

Write: Ets. J. Gaillon, B.P. 15, route de Nuits, 69 St. Georges-de-Reneins, France. WTD. **P-70583.**

- A license for the production and sale of vitaminized milk feed concentrates for calves (milk replacers) is needed by a third French firm. The company is also interested in obtaining an exclusive sales agency for France from a U.S. manufacturer of animal feed concentrates and additives.

Write: F. Ury and Cie, 63 rue Drogon, 57 Metz-Sablon, France. WTD. **P-70589.**

Singapore firm seeks license to make shipyard equipment

Would also consider joint venture; plant located in Jurong state

Licenses to manufacture malleable iron pipe fittings, marine engines, diesel engines and other machinery are sought by a Singapore company. It would also consider a joint venture arrangement. The products would be distributed in Singapore, Southeast Asia and Europe. With the present ship repairing, shipbuilding and construction boom in Singapore, the firm hopes to market the products through numerous outlets.

The Singapore concern specializes in the production of malleable iron pipe fittings, valves, pumps, blowers and plumber's brassware. Its plant is located on a four-acre site in the Jurong Industrial Estate and six acres are available for expansion. The firm is a wholly owned subsidiary of Quek Shin & Sons Pte. Ltd.

Write: Mr. Quek Kai Teng, Managing Director, Singapore Foundry and Machinery Co. Private Ltd., No. 1, Prince Street, Singapore 1. **P-70579.**

A WTD is available on Quek Shin and Sons Pte. Ltd.

Further details on this proposal can be obtained from the Office of International Investment, Department of Commerce (BIC-878), Washington, D.C. 20230.

Austrian electronic firm wants to trade licenses with U.S.

Expanding into community antenna TV equipment; offers own products

An Austrian firm is interested in licenses to manufacture electronic equipment used in the operation of community antenna television systems, closed circuit TV entertainment systems, theatres and large screen projectors. The company seeks sales rights for Austria and selected European countries.

The concern is also interested in locating American licensees to produce some of its electronic equipment.

Established in 1959, the firm is the Austrian subsidiary of an important German electronics company. The Austrian concern produces all types of radio and TV antennas, TV relay stations, electrical and electronic connectors and commercial amplifiers. It also represents two German manufacturers of coaxial cables, TV cameras, and related equipment.

A sizable part of its production is exported, mainly to EFTA countries but also to other overseas markets. The firm employs about 500 and its production, research, test and development facilities are equipped with up-to-date machinery, instruments and tools. It is a supplier to the government-owned Austrian Broadcasting Corp.

Write: Dr. W. Berchtold, Managing Director, Richard Hirschmann Electric, A-6830 Rankweil-Brederis, Austria. WTD. **P-70584**

A copy of the firm's brochure (in German) is available from Office of International Investment, Department of Commerce (BIC-878), Washington, D.C. 20230.

Caracas firm asks license for sugar cane grinders and varied pressure joints

A Venezuelan company seeks a license or similar agreement to manufacture cast iron cylinders to grind sugar cane, pressure joints for aqueducts and manganese and other special alloy steels. The firm plans to build a mechanized foundry on a 26,000-square-meter site near Caracas to make the products.

Reportedly, the company is among the top five firms in Venezuela engaged in bronze and iron foundry work and the manufacture of machined products such as gears, pinions and self priming pumps. Its well-equipped machine shop and foundry are located in an industrial section of Caracas.

Write: Dr. Eduardo Sterling, Production Engineer, Talleres y Fundicion Mecanica Catia, S.A., Avenida Sucre, Callejon El Yunque, Catia, Caracas, Venezuela. WTD. **P-70576.**

German firm wants license for steel mill equipment, containers, pipelaying items

A German company engaged in shipbuilding and the manufacture of industrial equipment for the steel, chemical and pipeline construction industries seeks licenses. It is interested in the production of auxiliary equipment and accessories for transporting molten iron, steel and slag within steel mills; pressure tanks and similar containers; and underground pipelaying equipment.

The German firm has around 300 employees and plans to expand its production facilities. It numbers among its customers some of Germany's largest steel companies.

Write: Ewald Berninghaus, 54 Vulkanstrasse, Postfach 60, 41 Duisburg, Germany. WTD. **P-70585.**

Swiss firm wants to make cleansers, detergents

Licenses to manufacture cleaning powders and similar preparations as well as solutions and additives for the paper industry are sought by a Swiss company. The firm is particularly interested in the production of cleaning powders or other special detergents in the form of granules. It would also consider the manufacture of special solutions to be mixed with additives for the paper industry.

The Swiss firm is the largest supplier of additives to the domestic paper industry. It is also equipped for the manufacture of solutions and cleaning products in powder form. The concern maintains an excellent sales organization.

Write: Mr. P. Nefzger, Sales Manager, Van Bearle & Cie. AG, 4142 Munchenstein, Switzerland. WTD. **P-70582.**

Licenses to make novelties and emulsions are desired

Licenses or similar agreements to manufacture notions and novelties are sought by an Australian firm. Currently, the company manufactures a general haberdashery line, retail merchandise and industrial and textile laminates. A representative plans to visit the U.S. in late June.

Write: H. Korski, Managing Director, Korbond Industries Pty. Ltd., 47-51 Lorraine St., Peakhurst, N.S.W. 2210, Australia. To obtain additional details of this proposal contact Frank E. Rule, Director, New South Wales Centre, 680 Fifth Ave., New York, N.Y. 10019, referring to project number D. 2304. **P-70568.**

- A firm seeks a license to make polyvinyl acetate, homopolymer, copolymer and acrylic emulsion for use in the adhesive, textile and paper coating industries.

Write: K. S. Jones, Managing Director, Staybond Pty. Ltd., 14 George St., Granville, N.S.W. 2142, Australia. **P-70571,** or Frank Rule of the New South Wales Centre at the New York address above.

Investment Assistance

To receive follow up assistance and general information about investment abroad telephone: 202-967-3786 or write: Office of International Investment, Department of Commerce (BIC-878), Washington, D.C. 20230. "P" numbers should be used when writing about specific proposals.

WTD indicates that a World Trade Directory Report containing financial and business background information on the foreign firm is available for $2 from the Department of Commerce (BIC-924), Washington D.C. 20230 or the nearest Department of Commerce Field Office.

The licensing and joint-venture proposals listed in this section are published as an informational service for U.S. firms interested in overseas affiliations. Companies responding to these opportunities should be cognizant of the present mandatory investment regulations administered by the Office of Foreign Direct Investment, U.S. Department of Commerce, Washington, D.C. 20230.

XUM

World Trade Opportunities Continued through page 47

The firms and individuals in the following lists are interested in trade relations with U.S. businessmen. The commodities in which they have expressed interest are indicated by the numbers preceding the commodity classification. The three-digit numbers and commodity classifications are from the Standard Industrial Classification (SIC) Manual. The five-digit numbers under each heading are from the Numerical List of Manufactured Products, 1967 Census of Manufacturers, Bureau of the Census and are used extensively by government and industry in classifying products.

U.S. firms should also be aware that the listing in INTERNATIONAL COMMERCE of opportunities to trade in specific commodities and technical data does not necessarily imply approval of their export by the U.S. Department of Commerce pursuant to the U.S. Export Control Act. For applicable export licensing regulations and policies, see the *Department of Commerce Export Control Regulations* or consult the Bureau of International Commerce's Office of Export Control or any Department of Commerce Field Office.

NOTE: The SIC Manual is available for $4.50; The Numerical List of Manufactured Products (MC67-1) for $1.75 and the Export Control Regulations are priced at $12 a year. These publications may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, or any of the 42 Department of Commerce Field Offices throughout the United States.

Every effort is made to include only firms or individuals with good reputations. However, the Department of Commerce cannot be responsible for any trade relations.

- ● indicates that the trade opportunity represents a request for bids by a foreign government agency. A (★) following indicates that additional information may be borrowed by firms located in the U.S. from the Business and Defense Services Administration (BDSA), U.S. Department of Commerce, Washington, D.C. 20230; telephone numbers indicated. To avoid delay, requests for loan material should specify country and commodity.
- ★★ indicates opportunities obtained by U.S. trade missions to other countries. A (★) following these indicates that additional information may be obtained by writing the International Liaison and Trade Opportunities Staff, BDSA-541, U.S. Department of Commerce, Washington, D.C. 20230. The TM (trade mission) number is requested in correspondence. Requests for loan material should specify country and TM number.
- WTD indicates that a World Trade Directory report is available on the foreign firm for which the trade opportunity is listed. These reports, indicating type of organization, sales territory, size of business, sales volume, trade and financial reputation, and other factors, are available for $2 each from the Bureau of International Commerce, BIC-924, U.S. Department of Commerce, Rm. 6059. Telephone: 202-967-4203. The date following the letters WTD refers to the date of issuance of the report. If WTD is in preparation, action will be completed on a priority basis upon receipt of request specifically identifying the trade opportunity involved.

Agencies

Specific foreign firms have expressed interest in agency agreements for the products listed below. Exclusive agencies for these products are wanted only if specified.

204 Grain mill products

20420—SWITZERLAND — Feed additives, Opopharma AG (importer, distributor, agent), Kirchgasse 42, 8001 Zurich. WTD 7/69.

261 Pulp mills

26111—TURKEY—Bleached dissolving pulp. Norkozik Mumessillik ve Ticaret (agent), Norvec Hani, Karakoy, Istanbul. WTD 4/70.

26112—TURKEY—Sulphide pulp and all other kinds of wood pulp. Norkozik Mumessillik ve Ticaret (agent), Norvec Hani, Karakoy, Istanbul. WTD 4/70.

264 Converted paper, paperboard products

26440—SOUTH AFRICA—Wallpaper: machine, screen or hand printed. Act as agent or manufacturer under license. E. Bilchik & Co. (Pty.) Ltd. (importer, distributor, agent), P.O. Box 8630, Johannesburg. WTD 4/70.

281 Industrial chemical

28150—NETHERLANDS—Light chemicals, especially coloring chemicals, benzoates, and glutamates. Van Broek & Co. (Attn: Robert J. Pilaar, Mgr.) (importer, distributor, exporter), 42 Twikkelstraat, or P.O. Box 199, Breda. WTD 4/70.

28150—SWITZERLAND—Cyclic intermediates of all kinds. Chemicon AG, Attn: Mr. Guglielmetti (distributor, agent), P.O. Box 406, 8040 Zurich. WTD in preparation.

28180 — SWITZERLAND — Industrial organic raw chemicals. Chemicon AG, Attn: Mr. Guglielmetti (distributor, agent), P.O. Box 406, 8040 Zurich. WTD in preparation.

28183—NETHERLANDS—Flavors, fragrances, especially citrus concentrates, for industrial use. Van Broek & Co. Attn: Robert Pilaar, Mgr. (importer, distributor, exporter), 42 Twikkelstraat, or P.O. Box 199, Breda. WTD 4/70.

28190—SWITZERLAND — Industrial inorganic raw chemicals. Chemicon AG, Attn: Mr. Guglielmetti (distributor, agent), P.O. Box 406, 8040 Zurich. WTD in preparation.

283 Drugs

28330—NETHERLANDS — Pharmaceutical raw materials, all kinds. Van Broek & Co. Attn: Robert Pilaar, Mgr. (importer, distributor, exporter), 42 Twikkelstraat, or P.O. Box 199, Breda. WTD 4/70.

28330—SWITZERLAND—Fine raw chemicals and intermediates for manufacture of veterinary, human pharmaceutical preparations. Not interested in finished products. Chemicon AG, Attn: Mr. Guglielmetti (distributor, agent), P.O. Box 406, 8040 Zurich. WTD in preparation.

28340—SWITZERLAND — Pharmaceutical preparations for human, veterinary use, all kinds. Opopharma AG (importer, distributor, agent), Kirchgasse 42, 8001 Zurich. WTD 7/69.

284 Soap, detergents, cleaning preparations, perfumes, cosmetics

28421 — SWITZERLAND — Insecticides. Opopharma AG (importer, distributor, agent), Kirchgasse 42, 8001 Zurich. WTD 7/69.

28424—SWITZERLAND—Cleaning, polishing preparations for aerosols for furniture, household use, automobiles. Autochemie AG, Attn: A. Ch. Dick (distributor, agent), P.O. Box 1, 4133 Pratteln. WTD 8/69.

28440 — SWITZERLAND — Cosmetic preparations, toiletries; deodorants, hairsprays, etc. for aerosols. Autochemie AG, Attn: A. Ch. Dick (manufacturer, agent), P.O. Box 1, 4133 Pratteln. WTD 8/69.

28445 — ITALY — Cosmetic, toilet preparations. Sabal di Saverio Balducci (distributor, agent), Viale Diaz 27, 70033 Corato (Bari). WTD 4/70.

28445—SPAIN—Cosmetics. Miguel A. Leon Gonzalez (agent), Apartado Postal #1239, Santa Cruz de Tenerife. WTD 5/70.

289 Chemical products

28950 — AUSTRIA — Carbon black. Johann Apenzeller (importer, agent), Kaerntnerstrasse 17, A-1010 Vienna. WTD 6/69.

28993—NETHERLANDS—Essential oils for industrial use, all kinds. Van Broek & Co. (Attn: Robert Pilaar, Mgr.) (importer, distributor, exporter), 42 Twikkelstraat, or P.O. Box 199, Breda. WTD 4/70.

291 Petroleum refining

29115—NETHERLANDS — Aromatics, fra-

grances, flavors, for industrial use, all kinds. Van Broek & Co. (Attn: Robert Pilaar, Mgr.) (importer, distributor, exporter), 42 Twikkelstraat, or P.O. Box 199, Breda. WTD 4/70.

307 Plastic products

30794—SWITZERLAND—Plastic packaging materials for the food industry. Ampack Ltd., Attn: Mr. Kasser (distributor, agent), Promenadenstrasse 94/96, 9400 Rorschach. WTD 4/70.

342 Cutlery, hand tools, general hardware

34231—SWITZERLAND—Hand tools for sales in do-it-yourself centers. Eberhard AG, Attn: Mr. Ruchti (distributor, agent), Hohlstrasse 610, 8048 Zurich. WTD 4/70.

343 Heating apparatus, plumbing fixtures

34320—SOUTH AFRICA—Shower fittings, brass goods. To act as importer, agent or manufacture under license. Castle Brass Works (Pty.) Ltd. (importer, manufacturer, agent), P.O. Box 82, Luipaardsvlei, Transvaal. WTD 4/70.

353 Construction, materials handling machinery

35340—SPAIN—Elevators and moving stairways. Miguel A. Leon Gonzalez (agent), Apartado Postal #1239, Santa Cruz de Tenerife. WTD 5/70.

354 Metalworking machinery

35452 — FRANCE — Precision measuring tools; temperature, pressure, strain-gages, flow, vibrations, accelerometers, acceleroswitches, chocks, test equipments. Literature and price lists requested. GICEDA (importer, distributor, agent), 4, rue St. Henri, 31 Toulouse. WTD 2/70.

35482—SWITZERLAND—Small electrically driven tools for do-it-yourself purposes. Eberhard AG, Attn: Mr. Ruchti (distributor, agent), Hohlstrasse 610, 8048 Zurich. WTD 4/70.

355 Special industry machinery

35513—SWITZERLAND — Canning, packaging machinery for fruit, vegetables, meat, fish, etc. Ampack Ltd., Attn: Mr. Kasser (distributor, agent), Promenadenstrasse 94/96, 9400 Rorschach. WTD 4/70.

356 General industrial machinery

35690 — SWITZERLAND — Packaging and wrapping machinery and related equipment for the food industry. Ampack Ltd., Attn: Mr. Kasser (distributor, agent), Promenadenstrasse 94/96, 9400 Rorschach. WTD 4/70.

357 Office, computing, accounting machines

35730—SWITZERLAND — Electronic data processing equipment for industrial use, research; tape readers, punchers. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

361 Electric transmission, distribution equipment

36110 — SWITZERLAND — Measuring instruments, equipment for electronic, electric circuits, meters, final control elements. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

362 Electrical industrial apparatus

36220—SWITZERLAND — Industrial electronic controls, accessories, automation equipment. Romay AG, Attn: Mr. W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

366 Communication equipment

36620—SWITZERLAND—Data telecommunication equipment, magnetic amplifiers. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

36624—FRANCE—Aircraft electronic navigational aids. Specifications, literature and price lists requested. GICEDA (importer, distributor, agent), 4, rue St. Henri, 31 Toulouse. WTD 2/70.

36625—FRANCE—Electronic search and detection apparatus, including radar, infrared, sonar, IFF, transponder, beacon, ILS, VOR, Tacan, and antennas. Price lists and literature requested. GICEDA (importer, distributor, agent), 4, rue St. Henri, 31 Toulouse. WTD 2/70.

36626 — FRANCE — Electronic military, industrial and commercial equipment as per military specifications or F.A.A. certified. Literature and price lists requested. GICEDA (importer, distributor, agent), 4, rue St. Henri, 31 Toulouse. WTD 2/70.

381 Engineering, laboratory, scientific research instruments

38112—SPAIN—Laboratory and scientific instruments. Miguel A. Leon Ganzalez (agent), Apartado Postal #1239, Santa Cruz de Tenerife. WTD 5/70.

384 Surgical, medical, dental instruments

38410 — SWITZERLAND — Surgical and medical instruments. Opopharma AG (importer, distributor, agent), Kirchgasse 42, 8001 Zurich. WTD 7/69.

38421—FRANCE—Surgical appliances and supplies. Literature and price lists requested. BAG S.A. (Etablissements) (importer, distributor, agent), 13 Avenue de Mirande, 33 Bordeaux-Cauderan. WTD 2/70.

38421—SWITZERLAND—Artificial organs; surgical, medical supplies. Opopharma AG (importer, distributor, agent), Kirchgasse 42, 8001 Zurich. WTD 7/69.

386 Photographic equipment, supplies

38610—SPAIN—Photographic equipment and supplies. Miguel A. Leon Gonzalez (agent), Apartado Postal #1239, Santa Cruz de Tenerife. WTD 5/70.

394 Toys, amusement goods

39410—SWITZERLAND—Games for family recreational purposes. Eberhard AG, Attn: Mr. Ruchti (distributor, agent), Hohlstrasse 610, 8048 Zurich. WTD 4/70.

Hotel management sought for Thessaloniki project

Bids are solicited for the lease of 288 room, 526 bed hotel presently under construction in Thessaloniki. Lease period commences January 1, 1971, and bid proposals should be based upon minimum lease rate of $200,000 a year for the first two years and the equivalent of 24,000 daily rates for a double room for subsequent years. Sponsored by an organization of the Greek Government, the hotel is on a 156,000 square foot lot on the Thessaloniki seashore and will have eight floors containing 222 doubles, 42 singles, 15 suites, and 8 luxury rooms.

Proposals must be submitted by June 10, accompanied by a $100,000 bid bond. Specifications and terms available at $33.50 per set by certified check made to: Hellenic Telecommunications Organization, Social Security Fund of the Personnel (TAP-OTE), 13 Veranzerou St., Athens, Greece.

Further information on NATO project in Canada available

The Canadian Department of External Affairs has requested expressions of interest from U.S. companies. The department is interested in receiving a call for bids for low frequency systems of the Westlant Fleet Broadcast Project. (See INTERNATIONAL COMMERCE, Apr. 6, and *Commerce Business Daily*, Apr. 2.

All U.S. companies desiring of being placed on the bidders list should express their interest in writing and submit it to the Communications-Electronics Division, BDSA-643, Room 4209, U.S. Department of Commerce, Washington, D.C. 20230 ★(202-967-4822).

Only U.S. firms certified by the U.S. Department of Commerce are eligible to bid on NATO projects. U.S. firms interested in certification should contact the International Liaison & Trade Opportunities Staff, BDSA-541, U.S. Department of Commerce, Washington, D.C. 20230.

Ghana will purchase pumping units and related equipment

Ag. Purchase Officer, Civil Engineering Stores Dept., Ghana Supply Commission, P.O. Box M. 35, Accra, has issued Tender No. WWD. 3040/1 for the supply, delivery and erection of two vertical spindle pumping units, generating plant, emergency night alternators, control panel, etc. The bid deadline is June 12. Tender documents and conditions of the contract may be obtained for a fee of NC 10.00 (NC 1 = $0.98).

For the benefit of U.S. suppliers who do not have an agent in Ghana and who would therefore be prevented from bidding on the supply and installation of the machinery, the Embassy has contacted two contractors who have expressed a willingness to install the equipment according to the manufacturer's specifications. The firms are: Tamakloe and Co., Ltd., P.O. Box X.16, James Town; and Gardner's Plumbing and Sewerage Service, Ltd., P.O. Box 7001, North Accra.

XUM

Direct Sales

Specific foreign firms have expressed interest in direct purchases of the products below. See also the "Agencies" listing.

013 Livestock farms

01350—TANZANIA—Beef, dairy cattle for breeding purposes to build up cattle herd. Karimjee Jivanjee Estates Ltd. (manufacturer), P.O. Box 4, Tanga. WTD in preparation.

201 Meat products

20119—KOREA—Hides, skins, pelts; cattle and calf hides. Chun-Gok Co. Inc. (agent), I.P.O. Box 2365, Seoul. WTD in preparation.

202 Dairy products

20210—MOROCCO—Butter, fresh, in bulk. Direct purchase and agency. Quotations c.i.f. Casablanca. Direct purchase and agency. R. Oiknine (importer, agent), 74, rue Pierre Parent, Casablanca. WTD 4/70.

203 Canning, preserving foods

20310—MOROCCO—Canned fish and other seafood. Direct purchase and agency. Quotations c.i.f. Casablanca. Direct purchase and agency. R. Oiknine (importer, agent), 74, rue Pierre Parent, Casablanca. WTD 4/70.

20331—MOROCCO—Canned fruits, all sizes and qualities. Direct purchase and agency. Quotations c.i.f. Casablanca. Direct purchase and agency. R. Oiknine (importer, agent), 74, rue Pierre Parent, Casablanca. WTD 4/70.

20334 — MOROCCO — Canned fruit juices, nectars and concentrates. All sizes and qualities. Direct purchase and agency. Quotations c.i.f. Casablanca. Direct purchase and agency. R. Oiknine (importer, agent), 74, rue Pierre Parent, Casablanca. WTD 4/70.

207 Confectionery

20710 — JAPAN — Confectionery products. Inagaki Trading Co., Ltd. (importer, distributor, exporter), 4-27 Sakae 2-chome, Naka-ku, Nagoya. WTD 4/70.

20721 — KOREA — Chocolate, cocoa products; ice cream coating for manufacturing 10 metric tons ice cream per day. Daeyle Yanghaeng Co., Ltd. (Chusik Hoesa Dae Il Yang Haeng) (distributor, manufacturer, retailer), I.P.O. Box 3376, Seoul, Korea. WTD in preparation.

222 Broad woven fabric mills, manmade fiber, silk

22210—ISRAEL—Fiberglass, other fabrics for manufacture of lampshades. Union Israel Suisse Ltd. (importer, distributor, exporter), El-Al Bldg., 32 Ben Yehuda St., Tel Aviv. WTD in preparation.

224 Narrow fabrics, other smallwares mills

22411—AUSTRIA—Elastic waist bands for the manufacture of wearing apparel, particularly of underwear. Direct purchase and agency. F. Haberkorn (importer, distributor, agent), Quellenstrasse 16, A-6900 Bregenz. WTD 9/68.

229 Textile goods

22950 — ISRAEL — Fabrics for lampshades, all kinds. Union Israel Suisse Ltd. (importer, distributor, exporter), El-Al Bldg., 32 Ben Yehuda St., Tel Aviv. WTD in preparation.

273 Books

27313—SWITZERLAND—Technical, scientific books on electronics, controls, data processing; text books. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

282 Synthetic materials

28215—AUSTRIA—Industrial adhesives for metals, rubber, plastic materials; first-grade products with top technical qualities. Montagetechnik Josef Kovacs (importer, distributor, agent), Reichsstrasse 153, Postfach 207, A-6800 Feldkirch. WTD 7/69.

28242 — LEBANON — Raw white polyester texturized yarn for knitting. Abro Abroyan & Co. S.A.L. (importer, distributor, manufacturer), Moutran St., P.O. Box 132, Beirut. WTD in preparation.

306 Fabricated rubber products

30691—AUSTRIA—Rubber belts and belting for industrial and commercial purposes, such as conveyor and elevator belts, transmission belts (flat and V-belt). Direct purchase and agency. F. Haberkorn (importer, distributor, agent), Quellenstrasse 16, A-6900 Bregenz. WTD 9/68.

30692—AUSTRIA—Technical rubber goods, such as rubber hose, tubing (reinforced, braided, wrapped, circular-woven) for industrial and commercial purposes. Direct purchase and agency. F. Haberkorn (importer, distributor, agent), Quellenstrasse 16, A-6900 Bregenz. WTD 9/68.

30695 — AUSTRIA — Mechanical rubber goods, such as O-rings, packing, rolls. Direct purchase and agency. F. Haberkorn (importer, distributor, agent), Quellenstrasse 16, A-6900 Bregenz. WTD 9/68.

307 Plastic products

30790 — ENGLAND — White opaque self-adhesive P.V.C. in .004" thick on silicone treated backing paper in reels 18" or 18½" wide with 2¾" centers and diameters up to 30/40". Coloroll Ltd. (manufacturer), 72 Tottenham Court Rd., London W1P ODQ. WTD in preparation.

30795—AUSTRIA—Industrial plastic products, such as hose, tubing, packings, seals. Direct purchase and agency. F. Haberkorn (importer, distributor, agent), Quellenstrasse 16, A-6900 Bregenz. WTD 9/68.

312 Industrial leather belting, packing

31210—AUSTRIA—Technical leather goods, such as leather packings, seals, oil and grease retainers. Direct purchase and agency. F. Haberkorn (importer, distributor, agent), Quellenstrasse 16, A-6900 Bregenz. WTD 9/68.

342 Cutlery, hand tools, general hardware

34231—AUSTRIA—Hand tools, pliers, screw drivers; also in sets. Direct purchase and agency, correspondence requested in German. Andreas Gruenthal OHG (distributor, retailer), Klopstockgasse 58, A-1170 Vienna. WTD 5/70.

34233 — AUSTRIA — Hammers, files, rasps, soldering irons, other hand tools for wood, metal working; trade and for home workers. Direct purchase and agency, correspondence requested in German. Andreas Gruenthal OHG (distributor, retailer), Klopstockgasse 58, A-1170 Vienna. WTD 5/70.

34233—SWITZERLAND—Special tools for electronics, assembly tools, soldering irons. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

345 Screw machine products

34521—AUSTRIA—Screws. Direct purchase and agency, correspondence requested in German. Andreas Gruenthal OHG (distributor, retailer), Klopstockgasse 58, A-1170 Vienna. WTD 5/70.

349 Fabricated metal products

● **34900 — CEYLON** — Supply of varying sizes and quantities of galvanized water tubes and fittings. Tender No. COM/TEN/70/20; bid deadline July 14. Chairman, Tender Board, Ministry of Finance, P.O. Box 500, Colombo. Specifications are available on a short term loan basis to firms domiciled in the U.S. from the General Industrial Equipment Division, BDSA-647, U.S. Dept. of Commerce, Washington, D.C. 20230 ★(202-967-5585).

354 Metalworking tools

35452—ISRAEL—Precision measuring tools, all kinds. Direct purchase and agency. IMTI International Measuring Tools (Israel) Ltd. (importer, manufacturer, agent), Kiriath Eliezer, Industrial Center, Nathanya. WTD in preparation.

35453—ENGLAND—Angle iron 1½ x 1½ x 5/16", 100 tons. Monomech Developments Ltd. (manufacturer), Langthwaite Estate, South Kirkby, Nr. Pontefract, Yorkshire. WTD in preparation.

355 Special industry machinery

35511—KOREA—Dairy, milk products plant and equipment: one complete set of ice cream freezer, capacity—10 metric tons a day, one complete set of milk treatment and processing plant facilities, capacity—8.5 metric tons of fluid milk. Daeyle Yanghaeng Co., Ltd. (Chu Sik Hoe Sa Dae Il Yang Haeng) (distributor, manufacturer, retailer), I.P.O. Box 3376, Seoul. WTD in preparation.

35512 — GUATEMALA — Semi-automatic, electric, bakery equipment to produce both crackers, biscuits at an average daily production rate of approximately 5,000 lbs. PANADERIA "Las Victorias"—Mario Hernandez Pineda & Compania Ltda. (manufacturer), 5a. Avenida 14-34, Zona 1, Guatemala City. WTD 4/70.

35595—SWITZERLAND — Electronic tube making machinery, semiconductors, integrated circuit making machinery. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

356 General industrial machinery

● **35600 — CEYLON** — Supply of varying quantities and sizes of pumps and valves. Tender No. COM/TEN/70-21; bid deadline July 13. Chairman, Tender Board Ministry, of Land, Irrigation and Power, P.O. Box 500, Colombo. Specifications are available on a short term basis to firms domiciled in the U.S. from the General Industrial Equipment Division, BDSA-647, U.S. Dept. of Commerce, Washington, D.C. 20230 ★(202-967-5585).

● **35600—SINGAPORE**—Supply, delivery and installation of four secondary sludge removal mechanisms for the final separating tanks

together with all necessary electric cable and wiring and ancillary items. Tender No. SQS/WB/87/69/32; bid deadline June 30. Senior Quantity Surveyor, Public Works Dept., High St., Singapore 6. Limited information is available on a short term loan basis from the General Industrial Equipment Division, BDSA-647, U.S. Dept. of Commerce, Washington, D.C. 20230 ★(202-967-5585).

357 Office, computing, accounting machines

35731 — ITALY — Fluorescent visual display of numerical data. Reer S.n.c. di Brunetti & C. (manufacturer, agent), Corso Regio Parco 42, 10153-Torino. WTD 3/70.

358 Service industry machinery

35852 — FINLAND — Air-conditioners, room and unitary. Insinooritoimisto Kylmatekniikka Oy (Toivo Lehto, Man. Dir.) (importer, distributor, retailer), Arkadiankatu 19 C, Helsinki 10. WTD 4/70.

35853—FINLAND — Commercial refrigeration equipment rating over 1,000 kilogram-cal. Insinooritoimisto Kylmatekniikka Oy (Tovio Lehto, Man. Dir.) (importer, distributor, retailer), Arkadiankatu 19 C, Helsinki 10. WTD 4/70.

35853—ISRAEL—Cooling tunnel for deep freezing packages of 500 grams, 100 grams, for the production of ice cream, confectionery. Amalgamated Food Products Ltd. (distributor, manufacturer of ice cream), New Industrial Center, P.O. Box 411, Petah-Tiqva. WTD in preparation.

35853—KOREA — Commercial refrigeration equipment; ice cream hardening and storage cabinets. Daeyle Yanghaeng Co., Ltd. (Chu Sik Hoe Sa Dae Il Yang Haeng) (Distributor, manufacturer, retailer), I.P.O. Box 3376, Seoul. WTD in preparation.

361 Electric transmission, distribution equipment

● **36100—BELGIUM**—Supply of intermodulation noise measuring set and selective level meter. Tender No. 70-11 PS/MEB; bid deadline June 23. Invited by the Communications and Electronics Division, Purchasing and Contracting Office, Supreme Headquarters Allied Powers Europe (SHAPE), B-7010, Brussels, Belgium. Terms and specifications available on loan basis from the Scientific and Business Equipment Division, BDSA-653, U.S. Department of Commerce, Washington, D.C. 20230 ★(202-967-2939). A review copy will also be available at the Department of Commerce Field Office, 11444 Federal Bldg., 450 Golden Gate Ave., San Francisco, Calif. 94102 (415-556-5868). Only U.S. firms certified by the U.S. Department of Commerce are eligible to bid on NATO projects. U.S. firms interested in certification should contact the International Liaison and Trade Opportunities Staff, BDSA-541, U.S. Department of Commerce, Washington, D.C. 20230.

● **36100—NATO**—Supply 21 each frequency converters (15-60 KW), 3 each standby generators 15 KW. Tender documents available approximately June 1. Bids will be expected approximately July 10. Order placed approximately Aug. 16. Only prequalified suppliers from NATO countries are eligible to submit quotations. Only U.S. firms certified by the U.S. Department of Commerce are eligible to bid on NATO projects. U.S. firms interested in certification should contact the International Liaison & Trade Opportunities Staff, BDSA-541, U.S. Department of Commerce, Washington D.C. 20230. Bids to be submitted to: North Atlantic Treaty Organization (NATO) Purchasing and Contracting Officer, Bockenheimer Landstr. 38, Postfach 3961, 6 Frankfurt/MAIN. Specifications available from the Power & Electrical Equipment Division, BDSA, Room 5885C, Department of Commerce, Washington, D.C. 20230 ★(202-967-4241). A copy is also available for review at the Department of Commerce Field Office, 11444 Federal Bldg., 450 Golden Gate Ave., San Francisco, Calif. 94102 (415-556-5868).

● **36100—THAILAND**—Supply 4 each 69 KV circuit breakers, outdoor type, 2,000 amp., 3 phase with 600/5 amp. ratio current transformer two core per phase; 8 each 69 KV circuit breakers, outdoor type, 2,000 amp., 3 phase with 2,000/5 amp. ratio current transformer one core per phase. Tender No. MEA-PSD-190, bid deadline June 12. Purchase and Stores Dept., Metropolitan Electricity Authority, 121 Chakraphet Rd., Bangkok, Thailand. Specifications available from Power & Electrical Equipment Division, BDSA, Room 5886C, Department of Commerce, Washington, D.C. 20230 ★(202-967-4241). A review copy will also be available at the Department of Commerce Field Office, 11444 Federal Bldg., 450 Golden Gate Ave., San Francisco, Calif. 94102 (415-556-5868).

● **36100—THAILAND**—Supply of 20,000 kilowatt hour meters, single phase, two-wire, 220 volt A.C., 50 cycle 5(15) and 15(45) amperes, single element; 40,000 terminal adapters for use with kilowatt hour meters; 7,000 watt-hour demand single phase meters. Tender No. MEA-PSD-191; bid deadline June 19. Invited by the Purchases & Stores Department, Metropolitan Electricity Authority, 121 Chakraphet Rd., Bangkok 2, Thailand. Terms and specifications available on loan basis from the Scientific and Business Equipment Division, BDSA-653, U.S. Department of Commerce, Washington, D.C. 20230 ★(202-967-2939). A review copy will also be available at the Department of Commerce Field Office, 11444 Federal Bldg., 450 Golden Gate Ave., San Francisco, Calif. 94102 (415-556-5868).

● **36100—THAILAND** — Supply 40 each 500 KVA transformers 50 cycle, and auxiliary equipment. Tender No. MEA-PSD-189, bid deadline June 5. Purchase & Stores Dept., Metropolitan Electricity Authority, 121 Chakraphet Rd., Bangkok 2, Thailand. Specifications available from the Power & Electrical Division, BDSA, Room 5886C, Department of Commerce, Washington, D.C. 20230 ★(202-967-4241). A review copy will also be available at the Department of Commerce Field Office, 11444 Federal Bldg., 450 Golden Gate Ave., San Francisco, Calif. 94102 (415-556-5868).

362 Electrical industrial apparatus

36210—SWITZERLAND — Power electronics, power packs, actuators. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

364 Electric lighting, wiring equipment

36426 — NETHERLANDS — Sealed beams, numbers 4537, 4545, 4552, 4561, 4569 and 4577, for searchlights. Handelsonderneming Zeekro (Attn: H. de Zeeuw, Mgr.) (importer, distributor, manufacturer), 13a Hilledwarsstraat, Rotterdam-6. WTD 4/70.

36430—SWITZERLAND—Low voltage connectors, multicontacts. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

367 Electronic components, accessories

36730—SWITZERLAND — Cathodes, electron tubes, ion tubes. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

36740—SWITZERLAND—Transistors, semiconductors, diodes, integrated circuits, circuit elements, rectifiers, inverters, converters, solid state photoelectric cells. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

36792—SWITZERLAND — Electronic, low-voltage capacitors. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

36793—SWITZERLAND—Resistors. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

36794 — SWITZERLAND — Low voltage, D.C. transformers, chokes. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

36795 — SWITZERLAND — Printed circuit boards, other microelectronic components. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

371 Motor vehicles, motor vehicle equipment

37141—SINGAPORE—Used Chevrolet engines type 261 & 235; also second-hand trucks and engines model 1956 to 1960 (year of manufacture). Mr. GOH Ee Keng, Manager of Fik Hong Truck Re-assembling (pte) Ltd. (importer), 20 Tractor Rd., Jurong Industrial Estate, Singapore 22. WTD in preparation.

381 Engineering, laboratory, scientific, research instruments

38112—AUSTRIA—Laser beam alignment devices; laser engineering instruments for use in the construction industry. Franz Bachl, Inh. Peter Freiberger (manufacturer, agent, exporter), Apostelgasse 37, A-1030 Vienna. WTD 3/69.

38113—ISRAEL—Surveying tools, all kinds. Direct purchase and agency. IMTI, International Measuring Tools (Israel) Ltd. (importer, manufacturer, agent), Kiriath Eliezer, Industrial Center, Nathanya. WTD in preparation.

382 Instruments for measuring, controlling, indicating physical characteristics

38213—SWITZERLAND—Industrial process testing instruments for manufacture of electronic components. Romay AG, Attn: W. Baltensperger (importer, distributor, manufacturer), 5727 Oberkulm. WTD 4/70.

384 Surgical, medical, dental instruments

38410—FRANCE—Surgical, medical instruments and apparatus. Price lists and descriptive literature requested. BAG S.A. (Etablissements) (importer, distributor, agent), 13 Avenue de Mirande, 33 Bordeaux-Cauderan. WTD 2/70.

394 Toys, amusement, sporting goods

39410—MOROCCO—Games, toys, including scale models, mechanical toys, construction sets, etc. Quotations c.i.f. Casablanca. Direct pur-

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chase and agency. R. Oiknine (importer, agent), 74, rue Pierre Parent, Casablanca. WTD 4/70.

39490—SWITZERLAND — Sporting goods for family recreational purposes. Direct purchase and agency. Eberhard AG, Attn: Mr. Ruchti (distributor, agent), Hohlstrasse 610, 8048 Zurich. WTD 4/70.

39493 — HONDURAS — 12 Bowling alleys, bowling equipment. Desarrollo e Inversiones Nacionales, S.A. (DINACSA), Ann: Olban Valladares (investor) Edificio Bancahsa, Tegucigalpa, D.C. WTD in preparation.

509 Wholesalers

50930—KOREA—Iron & steel scrap, annual requirement is estimated at 500,000 m/t. Suhkyong Iron Works, Inc. (importer, distributor, manufacturer), I.P.O. Box 2496, Seoul. WTD in preparation.

824 Correspondence, vocational schools

82410—NETHERLANDS—All kinds of educational methods and systems, such as correspondence, training and programmed instruction courses, and the reproduction and translation rights for such courses. Direct purchase and agency. HISO (Attn: H. van Poll, Mgr.) (importer, distributor, publisher/retailer/translator), 5 Burg. Godschalxstraat, or P.O. Box 227, Empel en Meerwijk, N. Br. WTD 4/70.

Argentina calling for bids on construction of pier

Direccion Nacional de Construcciones Portuarias y Vias Navegables, is calling for bids on the construction of 616.50 meters of pier in Rosario Port, Province of Sante Fe. The bid deadline is June 30.

Conditions and technical specifications are available for 150 Argentine pesos (US$1 equals 3.50 Argentine pesos) from Direccion Nacional de Construcciones Portuarias y Vias Navegables, Av. 9 de Julio 1925, Septimo Piso, Buenos Aires. Ask for Licitacion Publica No. 9-E. One set of documents is available for review in Room 5611 of the Construction and Building Materials Division, U.S. Dept. of Commerce, Washington, D.C. (202-967-3602).

Bids requested on NATO project

NATO has issued a call for bids on Project No. 258 for the erection of aircraft shelter and supporting facilities. The estimated cost is 1,621,500,000 Lire (625 Lire equal US$1).

Requests for bidding invitations must be received by the U.S. Corps of Engineers, Mediterranean Division, 56018 Camp Darby, Tirrenia (Pisa), Italy, by May 29, 1970.

Only U.S. firms certified by the U.S. Dept. of Commerce are eligible to bid on NATO projects. U.S. firms interested in certification should contact the International Liaison & Trade Opportunities Staff, BDSA-541, U.S. Dept. of Commerce, Washington, D.C. 20230.

Singapore calls for bids on laying sewer pipes

The Public Works Department of Singapore is inviting tenders for the laying of main and minor sewers along Upper Thomson Road as part of the Thomson Road Area Scheme (Contract III). The works involved in Tender No. SQS/WB/87/69/27 call for the supply and laying of approximately 960 feet of 15-inch diameter, 3,060 feet of 21-inch diameter, and 835 feet of 30-inch diameter high alumina cement-lined reinforced concrete pipe with spigot and socket joints; 1,345 feet of 6-inch diameter and 350 feet of 9-inch diameter stoneware pipe; and the construction of 34 manholes including connection to the existing sewer. The bid deadline is June 2.

The works covered by this tender may be eligible for payment in part from a loan from the International Bank for Reconstruction and Development. Persons or companies either within Singapore or overseas who are not registered P. W. D. contractors will not be permitted to tender unless they had applied for the tender documents within two weeks of the invitation to tender (which was announced April 30). Applications for tender documents received after such time by such individuals or firms will not be entertained except at the absolute discretion of the officer inviting the tender. For P. W. D. Registered Contractors, the tender is restricted to civil engineering contractors above $250,000.

For further information, contact the Senior Quantity Surveyor, Public Works Department, High St., Singapore 6, Singapore.

Visiting Buyers and Officials

Scheduled arrival dates and U.S. addresses indicated

BELGIUM—Jeanine Lallemand, Laboratoires Charles Delacre, S.A., Avenue de la Couronne 321-325, 1050 Brussels, **interested in manufacturing under license sirups with retardant effect for coughs, special soporifics.** May 31 via New York for 2 weeks. Itinerary: 5/31-6/5 New York c/o Sheraton Russell Hotel, 45 Park Ave., New York, N.Y. 10016; 6/6-11 Washington, D.C. c/o Washington Hilton, 1919 Connecticut Ave., NW., Washington, D.C. 20009; 6/12-13 Chicago. WTD 4/70.

FRANCE—R. Y. Guerin, Director of Marketing, Societe Barbot, 8 Rue Leveille, 37 Descartes, **interested in obtaining information with view of importing advanced products in the form of prefabricated metal products for the building industry and requesting technical information on construction of buildings using prefabricated nonferrous metal components.** May 19 via New York for 16 days. c/o Hotel Algonquin, 59 West 44 St., New York, N.Y. 10036. Itinerary: New York, San Francisco, Chicago, Washington, D.C. WTD 4/70.

GUYANA—Mr. Bhairopersaud, Bombay Bazaar Dry Goods Store, 59 Grove Village, East Bank Demerara, **interested in importing U.S. dry goods, haberdashery.** May 8 via New York for approx. 1 mo. c/o Plaza Hotel, 5th Ave. at 59th St., New York, N.Y. 10019. Itinerary: New York. WTD 5/70.

HONDURAS—Gloria del Carmen Jereda, representing Taller Arte Maya, Barrio Country Club, Comayaguela, D.C., **interested in establishing sales outlet for firm in New York City.** May 12 via Miami for 1 mo. c/o 653 Broadway, New York, N.Y. 10012. Itinerary: New York. WTD in preparation.

INDIA—W. N. Talwar, Managing Director, Payen-Talbros Private Ltd., 14/1 Mathura Rd., Amar Nagar, Faridabad, Heryana, **interested in meeting U.S. manufacturers of automotive engine valves to explore the possibility of establishing a joint venture in India.** May 22 via Philadelphia for 3 weeks. c/o India Engineering Export Promotion Council, 333 N. Michigan Ave., Chicago, Ill. 60601. Itinerary: Philadelphia, N.Y., Chicago, Los Angeles, San Francisco, Detroit. WTD 12/60 under revision.

INDIA—Hari Shankar Singhania, Director, J. K. Organization, 7 Council House St., Calcutta, **interested in establishing licensing and/or equity collaboration arrangements with U.S. manufacturers of farm tractors and electronic components such as connectors, relays, capacitors.** May 26 via San Francisco for 2 weeks. c/o Paramount Backing and Burlap, Inc., 18 Park Row, New York, N.Y. 10038 (212-233-8020). Itinerary: San Francisco, New York. WTD 6/68 under revision.

ISRAEL—Nachman Golinkin, Quartermaster, Stores and Supply, Israel Electric Corp., 4 Professor Shor St., Tel Aviv, **interested in U.S. metal office equipment, stationery and general supplies and requesting technical information on office up-keep methods and the latest safety equipment.** May 28 via New York for approx. 3 mos. c/o Miss Ruth Golinkin, 3 Chopton Rd., Richmond, Va. 23224. Itinerary: New York area, other cities as necessary. WTD 10/68 under revision.

ISRAEL—Avraham Levy and Shlomo Elbahar, Levi & Elbahar, 16 Rehov 250, Jaffa-Tel Aviv, **interested in obtaining know-how and establishing joint venture with an appropriate U.S. manufacturer for local manufacture of interior decorating metal items such as wrought iron lamps and in purchasing such items.** End of May via New York for 1 mo. c/o Israel Consulate General, 11 East 70th St., New York, N.Y. 10021. Itinerary: New York area, other cities as required. WTD in preparation.

ITALY — Francesco Schettini representing Schettini, Via Boscovich 58, Milan, **interested in acting as commission agent for U.S. manufacturers and exporters of textile fabrics and men's and women's wearing apparel.** May 20 via New York for approx. 3 mos. c/o Michel, 490 W. End Ave., New York, N.Y. 10024. Itinerary: New York, Chicago, Los Angeles, San Francisco.

LUXEMBOURG—Pierre Brahms, Maison Moderne, 10-12 Grand'rue, Luxembourg, **interested in importing U.S. textile products in general, especially children's wear (no shoes) and in contacting manufacturers of stockings, sheets, underwear, children's wear.** May 17 via New York for 3 weeks. c/o Sheraton Hotel, Broadway & W. 34th St., New York, N.Y. 10001. Itinerary: N.Y., San Francisco, Los Angeles. WTD 3/66 under revision.

TURKEY—Yilmaz Adiguel, General Director MAKTAS (Makarnacilik T.A.S.) and President, Assembly of the Aegean Region Chamber of Industry, Bayrakli, Ismir, **interested in importing U.S. food processing machinery for macaroni and semolina products and requesting technical information.** May 25 via New York for 15 days. c/o Office of the Turkish Commercial Counselor, 350 Fifth Ave., New York, N.Y. 10001. Itinerary: New York. WTD in preparation.

URUGUAY—Jose P. Malagraba, Frigorifico Canelones Miguel Ameglio S.A. and Establecimientos Colonia S.A., Jujuy 2644, Montevideo, **interested in visiting modern U.S. packing plants and requesting technical information.** May 11 via Miami for 20 days. c/o Uruguayan Embassy, 1918 F St., NW., Washington, D.C. 20006; phone (202) 628-1336. Itinerary: Miami, San Francisco, Los Angeles, Las Vegas. WTD 6/69 on both firms.

Future Construction

For maximum assistance to those interested in overseas construction projects, U.S. Foreign Service officers report them as soon as possible, often in early planning stages. Some may not reach completion as originally proposed. In such cases additional information is published as it is obtained.

AUSTRALIA—In August 1970, the Melbourne and Metropolitan Board of Works will invite tenders for the **construction of the outfall pumping station** at the Southeastern Purification Plant. The contract (No. 7798) will be for the design, manufacture, supply, construction, erection, testing, commissioning and maintenance, as well as for five dual fuel diesel engine driven pump sets of 52 mgd nominal capacity against 255 feet TDH. Also included will be all auxiliaries, boilers and absorption chillers for total heat utilization, main and auxiliary pipework, process water strainers, chlorine gas injectors and building services, electric power distribution and services and complete instrumentation. The contract also includes the pumping station building, inlet channels with gates, a delivery header and roads and landscaping directly surrounding the building. The work will be concurrent and integrated with other contracts at the site for the construction of the Southeastern Purification Plant and Effluent Outfall System. (The plant is situated on a 1,400 acres site at Carrum, Victoria, 20 miles southeast of Melbourne.) The contract, which will exceed $2,240,000 in value, will be awarded March 1971. The plant is required to be brought into operation on June 1, 1973. A brochure describing the work in more detail is available to prospective tenderers on request in writing to: The Secretary, Melbourne and Metropolitan Board of Works, Box 4342, GPO, Melbourne, Victoria 3001, Australia. It is the Board's intention to register suitable applicants who, by individual letter, will be invited to tender for the work in accordance with the tender documents. Organizations with substantial experience in the class of works envisaged and who are interested in tendering for the works are invited to apply for registration. Completed application forms are to reach the Secretary of the Board at the address given above on or before 11 a.m. local time, June 9. Applications must be supported by a statement of facts in detail giving the applicant's previous experience and achievements in carrying out similar or comparable work on time, together with evidence that the applicant's resources are adequate in relation to this contract. Where joint ventures are proposed, full documentation for each party separately is required. Applications for registration as tenderers must include evidence satisfactory to the Board that they can arrange bonds as set out below and must notify the names of companies which would act as sureties. The successful tenderer will be required to provide a performance bond for 30% of the contract amount, and a payments bond for 15% of the contract amount. The bonds will be required in accordance with the forms included with the brochure and the sureties for the bonds must be companies accentable to the Board. All information received will be confidential. Incorporated applicants must state their legal names and give an address for correspondence. It is anticipated that invitations to tender will be sent to the registered applicants in July 1970, that tender documents will be available in August, and that tenders will close in October, 1970. The Board requires that tenderers submit with their tender a tender bond for 5% of the tender amount.

INDIA—Prime Minister Gandhi told Parliament on April 18 that the Government of India plans to establish **three new Indian designed and equipped steel plants.** Plants to produce mild steel will be located at Visakhapatnam in Andhra Pradesh, and at Hospet in Mysore, and a specialty steel plant will be built in Salem in Tamil Nadu. Without reference to the long-standing debate over where a single new mill should be located and on grounds that additional requirements now exist, the Prime Minister justified the selection of Visakhapatnam because of its port facilities; Hospet because of the region's iron ore reserves; and Salem because of the demand of nearby industry for specialty steels. Reportedly the annual capacity of each of the mild steel plants is to be between 1-2 million tons, while the Salem plant is to have an annual capacity of about 500,000 tons of specialty steels. Last month, the National Development Council approved an increase of $120 million in Fourth Five Year Plan (1969-74) funds to prepare for the construction of additional steel mills during the Fifth Plan (1975-79). When completed, these new mills together with Bokaro (under construction) and the planned expansion of existing plants, will give India an annual steel-making capacity of about 20 million tons compared to 9 million tons today.

SOUTH AFRICA—The Minister of Transport, B. J Schoeman, announced on April 29 that a **new international airport** is to be built in the vicinity of La Mercy, about 15 miles north of Durban. The announcement is little more than a statement of intention, as it is known that no land has yet been purchased and planning has not started. The new airport is not expected to be ready for use for eight or ten years and no estimate of cost has so far been released. It is not intended that the new airport should replace the existing Louis Botha airport which lies on Durban's southern boundary and which is due to be improved and enlarged in the future. Louis Botha airport will be retained as a civil airport after completion of the new international airport. At the same time, Schoeman announced that **two further internal airports** would also be built. One of these is between George and Mossel Bay, on the Cape south coast, and will be ready by 1973. The other, which is still under consideration, will be built to serve the Richards Bay complex on Natal's north coast. The exact location of this new airport has not yet been decided and, as in the case of the La Mercy airport, there is no indication of when construction is likely to begin.

THAILAND—The State Railways of Thailand (SRT) is **considering the use of electronic train control and signalling equipment** for preventing rail traffic accidents. For guidance in selecting the type of equipment needed, and for drawing up tender specifications if the budget is authorized, the SRT would welcome catalogs and technical data from American manufacturers or suppliers. Interested American suppliers should write: Banyong Saralamp, Superintending Engineer, Signalling and Telecommunications Division, State Railways of Thailand, Nopawong Bridge, Krung Kasem Road, Bangkok, Thailand.

VENEZUELA—The Minister of Public Works, Jose Curiel Rodriguez, has stated that he expects **the Petare-Guatire Highway Project** (INTERNATIONAL COMMERCE Mar. 23, page 33) and the first phase of **the Maiquetia airport project** (INTERNATIONAL COMMERCE May 18, page 52) to be open to international bidding in June 1970.

VENEZUELA—The Corporacion Venezolana de Fomento (CVF), an agency of the Venezuelan Government engaged in national industrial promotion, is conducting market research concerning the **production in Venezuela of valves for internal combustion engines and is interested in prices of machinery and equipment necessary to manufacture such valves.** The Venezuelan Government has given high priority to development of the metal-working industry. It is probable that this research previews promotional efforts by CVF for the local manufacture of valves and an opportunity may be forthcoming for export of valve manufacturing machinery. Interested manufactures and export agents of such equipment should write: Sr. Absalon Prato Albornoz, Departamento de Promocion Industrial, Corporacion Venezolana de Fomento, Apartado de Correos 1129, Caracas, Venezuela. U.S. manufacturers of valves may also wish to consider the possibility of joint venture investment in this field.

Potable water treating plant, equipment needed by Argentina

The Obras Sanitarias de la Nacion, Division Compras—Expte., 303-LP-1970, Marcelo T. del Alvear 1840, Buenos Aires, Argentina, invites bids for the construction of clarifiers, filters, coagulating plant and complementary buildings for the BERNAL, Province of Buenos Aires, potable water treating plant.

Tender specifications are available in Spanish from the above address for approximately $555 (U.S.); the bid deadline is June 30. Financing is by Inter-American Development Bank and the budget for the job is approximately $22 million (U.S.)

One copy of the specifications, in Spanish, available for review only, not for loan, in the Power & Electrical Equipment Division, BDSA, Room 5886C, Department of Commerce, Washington, D.C. (202-967-4241).

New Trade Lists

The Bureau of International Commerce has published the following Trade Lists. Mimeographed copies may be obtained by firms domiciled in the United States from BIC-924, U.S. Department of Commerce, Washington, D.C. 20230, and from Department of Commerce Field Offices. The price is $1.00 per list for each country.

American Firms, Subsidiaries and Affiliates—Chile, April 1970
American Firms, Subsidiaries and Affiliates—Haiti, May 1970
American Firms, Subsidiaries and Affiliates—Kenya, April 1970
American Firms, Subsidiaries and Affiliates—Singapore, April 1970

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New Books and Reports

***The Creative Interface 2: International Business-Government Relations.* Edited by Robert W. Miller. American University Center for the Study of Private Enterprise, Washington. 123pp. $4.95.**

The expanding role of the multinational corporation has created great complexities in international business-government relationships. These complexities are magnified in direct relation to the number of countries in which such firms operate, since each nation has its own concept of how it should deal with these corporations.

Three eminently qualified men analyze these problems in this book, and offer some advice to those who will be making the decisions which will dictate future international business-government relations. Charles Malik is a former President of the United Nations General Assembly, educator, author and philosopher; Daniel Parker is Chairman of the Parker Pen Co. and a former Chairman of the National Assn. of Manufacturers; and Sol M. Linowitz has seen both sides of the business-government relationship, while head of the Xerox Corp. and then as the U.S. Representative of the Organization of American States until last year.

Commerce Secretary Maurice H. Stans contributed a foreword.

Write: The American University Center for the Study of Private Enterprise, Washington, D.C. 20016.

***Latin America's Basic Resource and Development Background.* By Pedro C. M. Teichert. University of West Florida Duplicating Service, Pensacola. 413pp. (looseleaf). $12.50.**

Though designed as a textbook-workbook, this volume could also prove useful to those interested in purely commercial or financial matters in Latin America, according to the author. It is not designed to provide an intensive treatment of its subject matter, but aims at a general overview.

Write: University of West Florida Duplicating Service, Pensacola, Fla. 32504.

***National Trade and Professional Associations of the United States.* Edited by Craig Colgate, Jr. Published by Columbia Books, Washington. 288pp. $10.**

In addition to listing the associations, the book contains articles on trade association law and practice in 1969, the art of holding a successful convention, a convention area temperature-weather guide, a convention hotel capacity index (including some foreign hotels), an exhibit designer and builder index and an exposition and convention manager index.

Write: Columbia Books, Inc., Publishers, Suite 300, 917 15th St. NW., Washington, D.C. 20005.

***Tax Administration in Theory and Practice: With Special Reference to Chile.* By Norman D. Nowak. Praeger Publishers, New York. 248pp. $15.**

The author provides a step-by-step plan for an effective tax administration system for developing countries. In outlining how capital formerly lost through tax evasion can be saved, he stresses the importance of a single tax structure based on personal and corporate income, as well as proper administration and enforcement of existing tax laws. Tax reform measures proposed include data processing and automation of tax information, training programs for tax executives, new auditing and collection systems, and manual systems of communication.

Write: Praeger Publishers, 111 Fourth Ave., New York, N.Y. 10003

***The Process of Industrialization in Latin America.* Published by the Inter-American Development Bank. 308pp. Free.**

Consists of the main documents of a roundtable discussion held in conjunction with the Bank's tenth annual meeting, in Guatemala City during April 1969. Participants representing both the private and public sectors from Latin America, the United States, Europe and Japan brought their varied experience to the discussions. Special emphasis was placed on the development of manufacturing within a regionally integrated economic market.

Write: Inter-American Development Bank, 808 17th St. NW., Washington, D.C. 20577

***UNIDO Newsletter.* Published monthly by UNIDO, Vienna. Free.**

The Newsletter provides brief reports on major activities of the United Nations Industrial Development Organization, which is designed to accelerate industrialization in the developing countries, with special emphasis on manufacturing.

Write: UNIDO, P.O. Box 707, A-1011, Vienna, Austria.

***Directory of American Business in Germany.* 1969 (Handbuch der Amerikanischen Wirtschaftsverbindungen in Deutschland) 3rd Edition. In English and German. Published by SEIBT Publishing Co., Munich. Price: $14.20.**

This paperback directory gives names and addresses of all known American subsidiaries, distributors, licensees and agents of U.S. firms in Germany and German firms in the United States. Businessmen should find the directory particularly useful since a reliable source of enterprises active in international trade is an essential tool of market research and market development.

The content of this new directory includes only the alphabetical listing of firms, whereas the previous edition included an index of products that the firms handle. Because of the increase in the number of firms listed, this information is now available in a separate volume.

Write: Atlantic Promotion Agency, Inc., G.P.O. Box 415, Flushing, N.Y. 11352.

***International Business—1970: A Selection of Current Readings.* Edited by Etienne Cracco. Michigan State U. Institute for International Business and Economic Development, East Lansing. 337pp. $4.25.**

A collection of 42 articles published during 1969, predominantly from less accessible journals, which: describe significant recent developments in international business; emphasize operating problems and evolving concepts of concern to the international executive, and supplement existing texts and reading books for courses in international business.

Write: Division of Research, 5-J Berkey Hall, Michigan State University, East Lansing, Mich. 48823

***1969 Survey of Markets and Business Yearbook.* Published by the Financial Post, Toronto. 332pp. $9.**

The 45th edition of an annual market survey of data on Canada's provinces, cities and towns—plus special reviews of the major economic and business indicators of Canada. Includes a guide to buying power by market areas.

The same publishers have also recently produced their 28th annual *Survey of Oils*, a 208-page reference book on the Canadian oil and gas industry ($9).

Write: MacLean-Hunter, Ltd., 481 University Ave., Toronto 2, Canada, of 2055 Peel St., Montreal 2, Canada.

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Calendar *for international traders*

CHICAGO—June 11—International Trade Club of Chicago luncheon, La Salle Hotel.

CLEVELAND—June 3—Export sales seminar, 10 a.m.-noon, Commerce Field Office.

DETROIT—June 18—World Trade Club of Detroit Dinner, Pick-Fort Shelby Hotel, 6 p.m.

FAIRFIELD, CONN.—June 4—Monthly luncheon meeting of the Export Managers Club of Bridgeport (Southern Conn.), 12-2 p.m., Fairfield Motor Inn.

HONOLULU—June 17—How to Get Started in Exporting seminar, 10 a.m., Room 286, Commerce Field Office.

LITTLE ROCK—June 10—Arkansas Exporters' Roundtable luncheon, Coachman's Inn. Sponsors: Exporters' Roundtable and REEC.

MEMPHIS—June 17—Mid-South Exporters' Roundtable annual dinner and election, Cafe St. Clair.

MENLO PARK, CALIF.—June 21-24—Annual review of business prospects: World Business Outlook for the Seventies, Stanford Research Institute. Commerce Speaker: Lawrence A. Fox, Deputy Asst. Secretary of Commerce for International Trade Policy.

NASHVILLE—June 25—Middle Tennessee Exporters' Roundtable on the Port of New Orleans, Statler-Hilton Motel.

NEW YORK—June 2—FCIB Roundtable Conference on Foreign Finance, Credit, Collection and Exchange problems, Summit Hotel, 1:30 p.m.

NEW YORK—June 10—Dinner meeting of FCIB Publishers Export Credit Group, Advertising Club, 4 p.m.

PHOENIX—June 23 and 25—In-office export workshop, 10 a.m.-noon, Commerce Field Office.

ST. LOUIS—June 2—"Show You" Export Workshop, conference room, Federal Bldg., 2 p.m. Sponsor: Commerce Field Office.

SAN FRANCISCO — June 8 — First session in the nine-week summer-seminar in international management conducted by the Center for World Business, San Francisco State College.

SEATTLE—June 2—Session on Marketing and Forwarding for Exporters, Commerce Field Office, 8021 Federal Office Bldg., 10 a.m.-12.

U.S. DEPARTMENT OF COMMERCE—FIELD OFFICES

ALBUQUERQUE, N. MEX., 87101, U. S. Courthouse. Area Code 505, 843-2386.

ANCHORAGE, ALASKA, 99501, 412 Hill Bldg., 632 Sixth Ave. Area Code 907, 272-6531.

ATLANTA, GA., 30303, 4th Floor Home Savings Bldg., 75 Forsyth St., NW. Area Code 404, 526-6000.

BALTIMORE, MD., 21202, 305 U.S. Customhouse, Gay and Lombard Sts. Area Code 301, 962-3560.

BIRMINGHAM, ALA., 35205, Suite 200-201, 908 S. 20th St. Area Code 205, 325-3327.

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GREENSBORO, N.C., 27402, 258 Federal Bldg., W. Market St. P.O. Box 1950. Area Code 919, 275-9111.

HARTFORD, CONN., 06103, Room 610-B, Federal Office Bldg., 450 Main St. Area Code 203, 244-3530.

HONOLULU, HAWAII, 96813, 286 Alexander Young Bldg., 1015 Bishop St. Area Code 808, 546-5977.

HOUSTON, TEX., 77002, 5102 Federal Bldg., 515 Rusk Ave. Area Code 713, 226-4231.

JACKSONVILLE, FLA., 32202, P.O. Box 35087, 400 W. Bay St. Area Code 904, 791-2796.

KANSAS CITY, MO., 64106, Room 1840, 601 E. 12th St. Area Code 816, 374-3141.

LOS ANGELES, CALIF., 90024, 11th Floor, Federal Bldg., 11000 Wilshire Blvd. Area Code 213, 824-7591.

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MIAMI, FLA., 33130, Rm. 821, City National Bank Bldg., 25 W. Flagler St. Area Code 305, 350-5267.

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SAN JUAN, P.R., 00902, Room 100, Post Office Bldg. Phone 723-4640.

SAVANNAH, GA., 31402, 235 U.S. Courthouse and Post Office Bldg., 125-29 Bull St. Area Code 912, 232-4321.

SEATTLE, WASH., 98104, 8021 Federal Office Bldg., 909 First Ave. Area Code 206, 583-5615.

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